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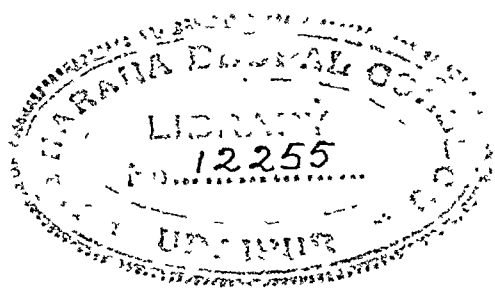
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Cooperative Movement IN United Provinces

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PREFACE

Although Cooperation has been working in the Province for over forty years, its achievements have been neither spectacular nor remarkable. Cooperation, by common consent, is regarded as the only effective method of lifting people from poverty to prosperity. Yet the people continue to be steeped in poverty. It is unfortunate that so far no attempt has been made to give a connected account of cooperative development in the Province and examine the causes of its slow growth. The field being unexplored, I selected it for my investigations.

This volume embodies the thesis on 'Cooperative Movement in the United Provinces' submitted by me in 1946 for the Ph. D. degree in Commerce in the Lucknow University. The thesis was approved by the University. In the present book I have tried to examine the cooperative development in the Province critically, suggesting measures which I consider necessary for better results.

The publication of the book has been delayed owing to paper shortage. Although printing was started in May, 1947, it could not be completed till a few days back. Even so, two types of paper had to be used. I crave the indulgence of the readers for this.

In preparing this book I have freely drawn upon the Annual Reports issued by the Cooperative Department, the Manual of Cooperative Societies, U. P., the Proceedings of the U. P. Cooperative Conferences, the Proceedings of the Conferences of Registrars and numerous cooperative journals.

I am highly indebted to Prof. B. N. Das Gupta, Head of the Department of Commerce, Lucknow University for stimulating criticism and advice. My thanks are also due to Dr. R. N. Saxena, M.A., Ph.D., D.Litt., Principal, D. A. V. College, Dehra Dun, for going through the manuscript and suggesting improvements, and to my pupil, Mr. Sant Saran Srivastava, for getting the type-script ready. The Cooperative Department, U. P., has given me unstinted cooperation in my investigations. I take this opportunity to thank Mr. Vishwanathan, the then Registrar, Mr. R. P. Mathur, the then Deputy Registrar, Mr.

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COOPERATIVE MOVEMENT IN U. P.

CHAPTER I

THE UNITED PROVINCES

The United Provinces of Agra and Oudh occupy the central position in northern India. They extend over an area of 112,191 sq. miles. British territories cover 106,248 sq. miles and Indian States 5,943 sq. miles.

Natural Divisions. On climatic, geological and ethnological grounds the Province can be divided into four well defined, major tracts from North to South.

(i) In the North, running from east to west, is the montane tract consisting of the Kumaun division and the Dehra Dun district. Cultivation in this tract is possible only in patches on the hillsides and in the valleys. Soil depends on the rocks from which it is formed and variations in soil are frequent. The lower hills are generally well covered with thick forests.

(ii) Immediately south of the montane tract is a belt of sub-montane tract forming the second natural division of the U. P. It consists of the districts of Saharanpur, Bareilly, Bijnor, Pilibhit and Kheri in the west and Bahraich, Gonda, Basti and Gorakhpur in the east. The soil of this tract is mostly alluvial. The entire area is traversed by rivers and streamlets coming down from the higher hills and the soil is the result of unceasing action of these water courses. There is a thick growth of semi-tropical forests in the area, abounding in wild animals.

(iii) The greater part of the Province south of the sub-montane tract is a level plain watered by the Ganges, Jumna and Gogra. This portion is known as the Indo-Gangetic plain and can be called 'a gift of the Ganges'. On the basis of the fertility of soil and soil composition it is usually sub-divided into Indo-Gangetic plain west, central and east. The soil of the Indo-Gangetic plain is alluvium brought down by the rivers from the Himalayas. The heavier particles were deposited first and form the coarse soil of the northern and western districts. Finer particles were carried farther down and form the rich, fine soils

of the central and the eastern part of the plains. The Indo Gangetic plain, west, therefore, is not so fertile as the Indo-Gangetic plain, central or east.

(iv) The trans Jumna tract and its continuation after the junction of that river with the Ganges is the fourth natural division of the Province. The districts of Jalaun, Hamirpur, Banda and Jhansi in the Bundelkhand division and Mirzapur and Benares State in the Benares division comprise the tract. This portion of the Province is broken up by low, rocky hills covered with stunted trees and jungle. The low lying hills are the offshoots of the Vindhyan and Satpura ranges. The soil in trans Jumna area is much less uniform. It has been brought down by fluvial action from the central India plateau and is known as 'the Black Cotton Soil'. Cultivation on such a soil is very difficult, as water logging results if there is too much rain and the soil becomes so hard, if rainfall is not sufficient that it is difficult to plough it. The whole area is covered with ravines and the soil on the whole is poor.

Rainfall The U P gets most of its rainfall between June and October. There is a small amount of rainfall in winter months also, usually towards the end of December or early in January. The rainfall decreases from north and east to south and west.

In the montane and sub montane regions the average annual rainfall amounts to 50-60 inches. In some places on the hills it is even 100 inches or more. In the Gorakhpur and Benares divisions, however, the average is about 40 inches while in the trans Jumna tract it ranges between 25 to 30 inches. Bundelkhand and Agra divisions are generally subject to droughts.

Population With the exception of a few tracts, therefore, both rainfall and soil conditions are favourable to agriculture. No wonder, then, that the U P is one of the most densely populated Provinces of India. According to the Census of 1941 the population of the U P is 56.3 million souls as against 49.6 million people enumerated in 1931. During 1931-1941, thus, the population of the Province showed an increase of 13.6%.

The population is a mixture of all religions and races, but Hindus predominate. They form 83.27% of the total population. Muslims are the most important minority community, forming 15.28% of the population.

87·6 % of the people lives in rural areas. Only 12·4 % is to be found in the cities and the towns of the Province. 124 per thousand live in the towns. The percentage of urban to rural population is the highest in the west and decreases steadily towards the east.

Density. The density of population varies according to the fertility of the soil. It is 630 per sq. mile in the west, 638 per sq. mile in the centre and 879 per sq. mile in the east. In cities and towns, naturally, the density of population is even higher than the figures given above. The main factor in determining the density of population is to what extent an area can support the population. Increase in the density of population from west to east is, thus, nothing un-natural. The density of population for the Province as a whole works out at 501 per sq. mile. For Japan it is 439, for the U. K. 489, for Germany 358 and for Belgium 699 per sq. mile.

Literacy. The population of the Province is, however, very backward as the figures for literacy will show. Only 8·6 % of the people could be classed as literate, even though the standard of literacy for census purposes was nothing more than the ability to read and write one's name.

Facilities of getting education being more in urban areas, the percentage of literacy in cities and towns is higher than in rural areas. It is, indeed, a welcome sign that between 1931 and 1941 the percentage has risen from 4·6 to 8·4.

Occupations. Agriculture is the main industry of the Province and the chief occupation and means of livelihood of 71·1 % of the population. For another 8·2 % of the people it provides a subsidiary source of income. 79·3 % of the population is, therefore, directly dependant on Agriculture.

The Province is not rich in minerals and consequently there is hardly any concentration of large scale industries except in a very few places like Cawnpore.

The following table* will show the distribution of population by occupations:—

Total number of people following an occupation	27,101,770
(A) Production of raw materials	20,191,273
Pasture and Agriculture ..	20,151,339

*Census of 1931. Later figures are not available.

Cultivation	.. .. .	19,419,218
Non-cultivators having income from agt. land	..	762,848
Non-cultivating proprietors	..	430,753
Non-cultivating tenants	..	268,853
Estate Agents	..	6,995
Estate Agents of the Government	..	827
Rent Collectors	..	55,420
Cultivation of Special crops	..	46,755
Forestry	..	31,610
Stock raising	..	653,698
Fishing and Hunting	..	32,337
(B) Exploitation of Minerals	..	7,597
(C) Preparation and Supply of material Substances	..	4,815,814
(D) Industries	..	3,188,296
(E) Transport	..	239,928
(F) Trade	..	73,230
(G) Public administration and liberal Arts	..	533,612
(H) Persons living on incomes	..	33,970
(I) Domestic Services	..	550,851
(J) Unproductive	..	231,422

Many agriculturists have a second source of income also. Agriculturists in the Province have a period of enforced idleness ranging from 3 to 5 months in the year. They follow some subsidiary occupation as a second line of defence. Sometimes, again, agriculture is taken up as a subsidiary to some other occupation.

The subsidiary occupations are learned and other professions, money-lending and trade, cottage industries like weaving, spinning pottery, tanning and other village handicrafts, dairying and cattle-breeding, to name only a few of them.

The total cultivated area in the Province amounted to, 68,043,402 acres in 1940-41 according to the Village papers.

Forest	.. .. .	9,279,586	acres
Not available for cultivation	..	9,865,986	"
Other uncultivated land	..	9,847,878	"
Current fallow	..	2,510,326	"
Net sown	..	36,539,626	"

Agricultural production in the same year in the Province was as mentioned below:

Rice	..	..	..	..	1,807,000	tons
Wheat	..	..	..	..	2,826,000	„
Gur	..	..	..	..	2,845,000	„
Tea	..	..	..	..	1,883	lbs.
Cotton	..	..	..	..	146,000	bales
Oil seeds	..	..	..	..	925,000	tons

Principal Crops. The staple food grains are wheat, gram, barley, rice, juar, bajra and maize. They occupy about 70 % of the total cultivated area. Arhar is the main subsidiary food crop and is generally sown mixed with some other crop.

Cotton is the chief fibre grown. Cultivation of cotton is confined to the western districts of the Province and some portions of trans-Jumna tract. The important cash crop of the Province is sugar-cane.

Irrigation. The Kharif Crop in the province is sown in June and in a normal year requires no irrigation. But the Rabi Crop depends on a sufficient supply of water in the winter months. Artificial irrigation is, therefore, a necessity for efficient agriculture almost everywhere in the Province.

Nearly 1/3 of the total cultivated area is watered and nearly 1/2 of this area depends on wells for irrigation. Besides wells other sources of irrigation are tanks and canals, Government and private.

The method of raising water is, however, most primitive. The most common method of drawing water up is by means of 'Charas'. In some places 'Dhenklis' are used to lift water and at a few places, specially in Bundelkhand division, 'persian wheels' are also used.

In the western half of Province where the average rainfall is not abundant there is a network of Canals. The most important of the canals are the Upper and Lower Ganges, the Eastern Jumna; the Agra and the Sarda canals.

In 1940-41 10.4 % of the area sown was irrigated from canals.

All the rivers of the Province have been tapped and any further supply of water in considerable quantities should not be expected from them. Ingenuity of man has, however, found another source of water supply. Electricity has been generated from the falls on the Ganges Canal and is being increasingly used to supply power for pumping water from tubewells.

Those areas which are not served by canals have to depend on well irrigation. The eastern districts of the Province get their irrigation water from wells and the entire country side is studded with a large number of masonry and non masonry wells.

The importance of the different sources of irrigation will be evident from the figures for irrigation (1940-41) given below

Area irrigated by Govt canals	3,773,991	acres
" " " Private canal	29,639	"
" " " tanks	13,964	"
" " " wells	5,936,267	"
" " " other sources	1,880,256	"
" " " total	11,634,117	"

Size of Holdings According to the calculation of the U P Banking Enquiry Committee the average holding per cultivator over the whole of the Province is $5\frac{1}{2}$ acres. Holdings, however, vary in size, within wide limits, in the different parts of the Province. The average holding in Bundelkhand is as high as 12 acres, while in the eastern districts it is not more than $3\frac{1}{2}$ acres. In the western districts of Saharanpur, Bijnor, Meerut, Muzaffarnagar, Buland shahr, Aligarh, Muttra and Agra the average size of holding varies between 8 $10\frac{1}{2}$ acres.

Some portion of the holding has to be left fallow either because, from time to time, weeds grow or because relief to land is necessary lest it loses its fertility. The area actually available for cultivation is, therefore, much less than the average size of holding in any district of the Province.

With the exception of the western districts, therefore, the average size of holding is rather a small one. A twelve acre holding in Bundelkhand due to a large percentage of fallow and the poverty of soil is really equal to a 6 acre holding elsewhere. Thus though the average size, arithmetically speaking, is large there, it should be counted as a small holding.

The reason for the small size of holdings in the U P is to be found in the process of sub-division and consequent fragmentation practised for generations together. The local laws of inheritance have made the situation still worse. As the farm passes from father to son it decreases in size. Every male issue is entitled to an equal share of his father's property and at the demise of the father the

farm must be sub-divided into as many portions as the number of sons left behind. The sons are also desirous of sharing a portion of every field belonging to their father. This gives rise to not only sub-division of holdings but scattered holdings also.

Under such conditions there is a wastage of time and energy in going to and from numerous tiny plots scattered over a considerable area. Efficient irrigation is an impossibility as it is not within the means of cultivators to sink a well in every plot. Tresspasses are quite common and agricultural operations cannot be effectively supervised. There is a tendency also to overwork the nearer field and to impoverish them while more removed fields are generally neglected. A considerable area of land is wasted in boundary lines reducing the size of holding still further. Not unoften boundary lines lead to vexatious litigation which drains the already lean purse of the cultivators.

The disadvantages of fragmentation and scatteredness of holdings are so patent that some of the advantages of these practices like distribution of risks inherent in agriculture, possibility of growing a larger number of crops, and common homestead are outweighed.

The inevitable result of unrestricted sub-division of holdings has been conversion of once economic holdings into un-economic ones in certain areas. The farms are no longer capable of supporting the cultivators and their families at the standards to which they are accustomed. Since fresh lands cannot be acquired, this state of affairs has generally been responsible for lowering the standard of living of the cultivators and for throwing them into heavy indebtedness.

Economic Holdings. The question of finding out an economic holding bristles with difficulties. Whether a holding is economic or uneconomic depends on a large number of factors. Climatic conditons, fertility of soil, the standard of living of the people, the technique of agriculture and the skill of the cultivators must all be considered simultaneously to decide this question.

For different parts of the Province size of economic holding will, therefore, vary

Economic holdings for some divisions were calculated by the U P. Banking Enquiry Committee and their finding were as follows

Division	Minimum holdings Statutory Tenants (acres)	Economic for Occupancy Tenants (acres)	Average holding in acres
1 Meerut	55	46	78
2. Jhansi	100	96	131
3 Gorakhpur	40	39	38
4 Lucknow	47	—	72

The table shows that the average holding in Gorakhpur division is actually less than the economic holding for that division. In other divisions under review the conditions are not so bad. If, however, we remember that the whole holding is not under cultivation in any particular year, the margin, in almost all those divisions where the average holdings are higher than the minimum economic holdings, between the economic holding and the area actually cultivated is very narrow. In normal years the cultivators may be in a position to keep their heads above water, their condition in a year of slight misfortune is far from satisfactory. We have also to bear in mind that the standard of living of the people is very low. If our desire is to improve the standard, the average holdings in all the divisions must be considered un-economic.

CHAPTER II

AGRICULTURAL INDEBTEDNESS IN THE U.P.

Size. The latest estimate of the agricultural indebtedness of the Province was made by the Banking Enquiry Committee, U. P., who considered the question thoroughly as a preliminary to their main enquiry. According to their calculations agricultural indebtedness for the whole of the United Provinces amounted to Rs. 124 crores approximately.

Debts of the peasant proprietors, tenants and landlords were calculated and added together, and to the sum thus arrived at mortgage debts of the agricultural classes were also added. It was felt, however, that the total so obtained was rather an under estimate, hence additions were made in respect of farm servants and field labourers (Rs. 75 lakhs), unregistered usufructuary mortgages (Rs. 25 lakhs), and a very probable understatement of debts by the various classes (5 % of the indebtedness amounting to Rs. 251 lakhs).

Out of the total indebtedness of Rs. 124 crores the value of mortgage debts amounts to Rs. 70 crores, leaving Rs. 54 crores which has been advanced on other securities, personal or tangible.

46 % of the tenants and peasant proprietors in the Province are debtfree; the rest, i.e., 54 % are indebted.

Of all the tenants and peasant proprietors 18 % can be regarded as well-to-do of whom 8 % are debt free; 26 % can secure, in a good year, a margin to carry them over a bad year, of whom 12 % either by reason of greater thrift or possession of some subsidiary occupation are free from debts; 56 % possess holdings either at or below the minimum economic figures, of whom 26 % by reasons of a subsidiary occupation are free from debts but must obviously have some difficulty to keep their heads above water.*

The landlords' fate so far as indebtedness is concerned is no better. 45 % of the total landlords in the Province are debt free. 55 % are indebted, the average debt per head being Rs. 4050/- . Most of this debt is secured on registered land mortgages. The average debt of a landlord is 24 times as much as that of an average cultivator (tenant and peasant proprietor).

* U. P. Banking Enquiry Committee Report p. 99.

To what extent agriculturists are indebted can also be known if we consider indebtedness in terms of rent. A tenant owing less than a year's rent should be regarded as lightly indebted. A farmer who owes more than this but less than two years' rent is moderately indebted. If the debt amounts to more than two years' rent he is heavily indebted.

From this point of view the situation in the U P is as follows

Debt free	46%
Indebted for less than one year's rent	12%
Indebted for one to two years' rent	10%
Indebted for over two years' rent	32%

If we regard those who are lightly indebted as unencumbered, the percentage for unencumbered comes to 58, 42% of the agriculturists will still be classed as encumbered.

During the last four years the financial condition of the agriculturists has changed considerably due to the World War No 2. Agricultural prices have registered a very sharp increase due to an increased demand for agricultural produce for war reasons. Unfortunately no data by which the exact effects on the size of indebtedness could be determined, are available. Nevertheless, it can be safely asserted that there has been some decrease in indebtedness, and many debts have been avoided.

The figures for loans advanced by the co-operative societies in the U P, the loans outstanding at the close of the year, and the percentage of overdues to outstandings show a tendency towards more prompt repayment and a decreased necessity for borrowing during the war period.

In 1939 the Societies advanced Rs 38.68 lakhs as loans but in 1944 the loans advanced amounted to only Rs 26.72 lakhs. Similarly, the loans outstanding fell from Rs 100.4 lakhs in 1942 to Rs 48.92 lakhs in 1944. The percentage of overdues to outstanding which was as high as 41.4 in 1939 also fell to 25.05 in 1944.

War conditions will, however, disappear after some time and the agricultural prosperity cannot be maintained at the existing level. Unless, therefore, deliberate attempts are made to reduce agricultural indebtedness the beneficial effects of the war on rural indebtedness cannot continue.

Inevitability of Debts Unless an examination of the nature of indebtedness reveals that the major portion of agricultural indebtedness is unproductive, such indebtedness is not something

to be deplored. Agriculturists, all the world over, cannot dispense with credit entirely or avoid debts. Like other industries agriculture also requires capital. In order to acquire additional land or live-stock, a farm building or irrigational facilities fixed capital has to be borrowed. For current needs also capital will be required by agriculturists as these investments give a return only after a long time. Agricultural indebtedness, thus, is inevitable except for rich farmers who are rare in any country.

Ease or difficulty in securing credit has always a bearing on indebtedness. Agriculture as an industry is different from other industries and these differences are mainly responsible for a greater need for credit in agriculture and indebtedness for longer periods.

Agriculture is an individualistic business and the credit available is limited by the credit of the farmer or his family. Naturally as compared to other industries credit is available on harsher terms.

In agriculture, again, fixed capital is required for the expansion or the improvement of agriculture. For the time being capital has to be sunk and begins to give a return long after. Credit running over a number of years will be necessary for such purposes.

The only long term security which can be offered by agriculturists is the farm itself. The farmer, therefore, cannot depend on the savings of the community in banks, and has to look for help to the State, the money-lenders or other special organisations for giving agricultural credit. Help from the State or other organisations is neither sufficient nor popular with the result that for credit the farmers have to persuade the money-lenders to part with a certain portion of their money. Sources of credit at the disposal of agriculturists being limited, in getting credit they are at a disadvantage as compared to other industrialists.

Objects of Indebtedness. Loans are borrowed by agriculturists for various purposes. Purposes for which loans are taken may be classified as follows :—

- (a) Current agricultural needs.
- (b) Domestic requirements.
- (c) Agricultural improvements.
- (d) Social and religious needs.
- (e) Payment of rent or revenue.
- (f) Payment of old debts.
- (g) Litigation.

The most pressing need of the agriculturist is to secure the where withal to carry on his main industry, i.e., agriculture. Seeds and manure have to be purchased, and occasionally farm implements may also require replacement. Wages of labourers employed have to be paid if extra labour is engaged. Generally, liquid capital to meet these requirements is not possessed by the farmers, and since these things are necessary for cultivation the farmers have frequently to borrow.

Apart from such needs, due to poverty, for meeting domestic necessities like food, clothing and other daily requirements, loans have sometimes to be taken by them. Need of a loan for these purposes is most urgent specially before the time for sowing the new crop.

More ambitious farmers, who either want to expand cultivation or improve agriculture, require money for the purchase of land, sinking wells for irrigational purposes and purchase of improved implements and cattle. Such loans are not universally required but, if required, are usually of large amounts and cannot be paid back in a short period.

A greater portion of money borrowed by agriculturists is, however, taken to meet some religious or social needs. Due to caste stratification in rural areas and an attitude of mind which reveres tradition agriculturists are highly conservative. They have to follow customs which are enjoined on them either by religion or caste, and have to spend considerable amounts on every happy or sad occasion. On marriages, births and deaths proper ceremonies must be performed, and caste dinners must follow. The people, not being in a position to spend out of their normal income, must necessarily borrow.

Another purpose for which sometimes a loan is necessary is payment of rent or revenue for the land cultivated by the farmers. Rent and revenue were a heavy burden on cultivators in the past but with increasing prices of agricultural commodities this burden has considerably decreased. Still, specially, in a bad year most of the agriculturists have to borrow to pay the dues in this respect.

Litigation is very common among the agriculturists due to the laws of inheritance obtaining in the Province, and is very expensive. If a litigation arises there is no method of financing it but borrowing. Whether a person wins or loses his case his debts multiply.

Next to religious and social needs the largest amount is borrowed for repayment of old debts. The economic position of the

agriculturists is so unsound that once a debt is contracted its repayment is almost an impossibility. When one creditor presses for repayment a fresh loan is taken to satisfy the old creditor and this process continues, leading to a piling up of debts which are passed on from father to son.

Nature of Debt. From the objects for which indebtedness is incurred it will be clear that with the exception of (a) and (c) all other purposes are unproductive.

It has been estimated that 30% of agricultural debts in the Province is productive, 34% unavoidable and 36% unproductive.

Under the head productive are included loans for the purchase of seed, plough, cattle, wages of labourers, repairs or construction of wells and purchase or mortgage of land.

Unavoidable debts comprise borrowings for subsistence and payment of rent or revenue.

Other debts for social or religious needs, litigation and repayment of old debts are avoidable and wholly unproductive.

64% of the total agricultural debts, thus, are agricultural and 36% non-agricultural.

Since unavoidable debts are also unproductive the percentage of unproductive debts amounts to 70%.

What is unsatisfactory, therefore, is not that the agriculturists are indebted but that 70% of agricultural indebtedness is unproductive. A very large amount of borrowed money is so spent that it does not bring any return to the agriculturist and is a dead-weight. Both interest as well as capital have to be paid out of the normal revenues which in the case of the agriculturists are always meagre. The natural consequence is that the cultivators find it very difficult even to pay the interest, nothing to say of capital they borrowed. Debts remain unpaid and grow in amount and the agriculturists have to groan under an ever increasing heavy load of debts.

Causes of Indebtedness. It now remains to examine briefly the causes of agricultural indebtedness.

(a) One of the main causes of indebtedness of the agriculturists of the Province is the weak economic position of the cultivators. Agriculture is a gamble in rain, and climatic vicissitudes play an important part in agricultural production. Out of every fifteen years, on an average, three are bad and one indifferent. Agriculturists,

who are never very prosperous find themselves in difficulties in such years and their borrowings increase

(b) The nature of indebtedness is also responsible for an increase in indebtedness of the people 70% of the total indebtedness as observed previously is unproductive. Such a large percentage of unproductive debts makes it difficult for the cultivators to pay off their debts out of the normal revenues

(c) The percentage of population dependent on agriculture, again is abnormally high in the Province. About 76% of the population ekes out its living from land. The pressure of population on land is thus very heavy. There is some migration from the Province but it is negligible, and industries, too, have not reached that stage of development where any considerable surplus population may be drawn off from the country to the town.

(d) Laws of inheritance and the pressure of population on land have made the average holding small. These holdings are too small to support a cultivator and his family without some subsidiary occupation. Together with fragmentation the evil of scatteredness of holdings has been operating, reducing production from land. If most of the holdings are uneconomic indebtedness is only to be expected.

(e) No further increase in the cultivable area is, however, possible. Every bit of land which could be cultivated has long come under the plough due to the great pressure of population.

(f) The agriculturists are indolent, conservative and wedded to traditions. They have made little efforts to improve the productivity of land. Improved seeds and good manures are rarely used and they still stick to the age long methods of cultivations.

(g) Security, a gift of British rule in India, has enhanced the cultivators' credit. Facile credit has placed in the hands of the cultivator a large amount of money which is generally spent extravagantly.

(h) But the most important cause of indebtedness is the high rate of interest agriculturists have to pay for the loans they borrow. Due to the nature of securities farmers are in a position to offer, many sources of credit are barred for them. In addition to the farm other securities are cattle, standing crops, household effects and ornaments, personal service *Jajmani*, fruit trees, and house property. Banks which finance other industries are reluctant to advance credit to the agriculturists as they can advance short term credit only, and do not want to lock up their capital for

long periods in securities which are not easily liquidable. The sources of credit at the disposal of the farmers are, thus, very much restricted. In fact the only source of credit for them is the money-lender. The money-lenders are not slow to take advantage of the helplessness of the cultivators, and try to get as much for their services as possible. To a certain extent a high rate of interest is inevitable as the risks, involved in lending money to the cultivators, are rather high. Generally, however, actual charges of the money-lenders are very much in proportion to risks they run.

Village money-lenders charge between 18—37½%, the general rate being 24%. Instances are, however, not wanting where the rate of interest is as high as 75%.

(i) In addition to the high rate of interest the money-lenders follow some questionable practices which enhance the indebtedness of the farmers. Taking advantage of the illiteracy of the people, sometimes, the money-lenders take the thumb-impression of the borrower on a blank pro-note and fill in the amount later on. Receipts are not given and the payments are not correctly taken down. In case of a litigation, arising out of such a transaction, cultivator are made to pay much more than what they should.

(j) To the already long list of causes must also be added litigation in which agriculturists frequently indulge.

(k) Besides, old debts, as previously mentioned, which are generally inherited from forefathers, necessitate further borrowings which can seldom be cleared off.

(l) Another very important causes of indebtedness is the absolute dependence of the agriculturists *so far as their trade is concerned on moneylenders and middlemen*. Cultivators are completely unorganised. Both in the purchase of agricultural and domestic requirements, and sale of their produce they are frequently cheated. For their purchases they have to pay a high price and still are unable to get quality goods. In the sale of their produce, also, they are at a disadvantage. Being ignorant of the prevailing prices and unaware of the best markets for their produce, cultivators sell their produce to the moneylenders or middlemen to whom they are generally indebted, and have to accept prices dictated by them. They do not get a fair share of the value of their produce. This reduces the margin between income and expenditure and further weakens agriculturists' economic position, making them susceptible to borrowing.

(m) Last of all we should not omit the influence of rent and revenue collections on the indebtedness of the people. Rent

and revenue collection is very rigid. Both the landlords and the Government show little mercy to the cultivators in the matter of collection. Although the burden of both rent and revenue has decreased in recent years the cultivators have to borrow for these purposes.

Effects of Indebtedness Besides the resultant poverty, a low standard of living and inefficiency in production a very important effect of agricultural indebtedness has been transfer of land from agricultural to non-agricultural classes. The Banking Enquiry Committee found that Rajputs and Muslims have been losing a considerable area of land due to indebtedness. According to them 60% of the land passed into the hands of non agriculturists and the rest into the hands of agricultural classes.

Transfer of land to agricultural classes is always beneficial for production as the new owners are invariably better cultivators but a transfer to non agricultural classes is far from satisfactory.

Solution A complete solution of the problems of rural indebtedness is not possible unless we realise that cheap credit alone cannot make the cultivators solvent. So long as the necessity for credit exists debts will be incurred and cannot be avoided. So that credit is not taken for unproductive uses, the problem of indebtedness must be attacked from all directions.

Indebtedness directly depends on the margin between income and expenditure. So that debts may be avoided it will be necessary to widen this margin.

There are two ways of doing it. Increase the income even though no change in expenditure takes place. If this is not possible, reduce the expenditure.

Any considerable reduction in expenditure is neither possible nor desirable. The agriculturists already have a very low standard of living and it will not be desirable to lower the standard any more. It does not mean, however, that there is no possibility of economy in expenditure. Avoidable expenditures which are incurred for social and religious purposes can be curtailed and will undoubtedly bring some relief to the cultivators. Intense propaganda and spread of education alone can break long established traditions and customs and must be immediately taken in hand.

The only hope of increasing the margin lies, thus, in improving the income of the cultivators. Agriculturists have to be enabled to purchase their requirements, the cheapest so that a saving

is effected that way. At the same time they should also be placed in a position to sell their produce the dearest. The above change in the position of the cultivators necessitates organisation among them so that they may acquire bargaining strength which they lack so much individually.

Partly, what is necessary for increasing the cultivator's margin, can be done by the people themselves. Organisation among them must be on a voluntary basis and social and religious reforms also can be brought about only when the people are alive to a necessity for them. Due, however, to the colossal illiteracy of the people and their dependance on the State for every thing big or small, the State will also have to extend its helping hand before we are anywhere near the solution of the problem. Energetic state measures are necessary for keeping the activities of the money-lenders and the middlemen under control and State alone can change the laws relating to succession.

In short, facilities for obtaining cheap credit should be forthcoming, voluntary organisation of the producers should be brought about and the State should be willing to help the agriculturists in matters affecting their trade, finances and marketing of produce before any improvement in the financial position of the farmers can be expected.

Attempts of the State to safeguard the Cultivators' Interests. The unsatisfactory nature of rural indebtedness attracted the attention of the Government in the eighties of the last century and since then various legislative measures have been taken to restore the cultivators to solvency. We will briefly examine these measures and analyse how far they have proved effective.

(a) As far back as 1882 Jhansi Encumbered Estates Act was passed but it did not place any restriction on the right of the proprietors to transfer their land. Soon it was found that the Act was not very effective and reduction in indebtedness was only nominal. In 1903, therefore, another Act known as the *Bundelkhand Land Alienation Act*, on the model of the Punjab Land Alienation Act of 1900, was passed. The Act led to a curtailment of the supply of credit and a fall in land values. Transfers to non-agricultural classes were reduced to the benefit of agricultural production and there was a considerable reduction in the volume of total debts. The Act in the words of Banking Enquiry Committee 'runs counter to all accepted principles regarding rights of ownership' (pp. 205).

Since reduction in credit facilities led to dearth of credit the advantages from the Act were not considerable

(b) The Land Improvement Loans Act of 1883 and Agriculturists Loans Act of 1884 empower Provincial Governments to advance loans to agriculturists. Such loans are known as *Taqani* loans. For productive purposes, e.g., purchase of seed etc. short term loans are given under Agriculturists Loans Act and recovered after the harvest. Long term loans for improvement of land are advanced under the 1st Act and are recoverable in instalments. The Agriculturists Loans Act has been amended and the Provincial Government is now empowered to advance loans for payments of existing debts and purchase of rights in agricultural land.

So far as the Acts are concerned there is nothing wrong with them, but the administration of the provisions of the Acts is far from satisfactory. *Taqani* loans are not very popular due to the delays in advancing loans, long enquiries and corruption which is rampant among officials who are responsible for advancing loans. Collection of these loans is, also, very rigid. The Acts are capable of bringing untold relief to the cultivators if the application of the provisions is more prompt and Government departments more sympathetic towards the agriculturists.

(c) Another Legislation whose applicability is universal is the *Usurious Loans Act of 1918*. Under the Act the courts were given discretion of reducing the rate of interest in cases under dispute if they considered the rate of interest charged usurious. It was, also, within the jurisdiction of the court to allow or refuse to allow any interest after the date when a suit was filed. The Act applies to all debtors, agriculturists or non-agriculturists. The discretion granted to the courts was, however, seldom exercised. The Act was, therefore, amended and now it is obligatory and not discretionary for the courts to reduce the rates. The Act also lays down the maximum and the minimum that should be permitted in the case of secured and unsecured loans. The maximum for secured and unsecured loans is 12% p a and 24% p a and minimum 7% p a and 9% p a respectively.

The Act thus controls the activity of the moneylenders and is beneficial for agricultural credit. But it applies only to cases brought to the court. Expenses of litigation are so high that agriculturists prefer to pay a higher rate rather than bring the matter to the notice of a court. It must be admitted, however, that to some extent agricultural indebtedness has decreased as a result of the operation of this Act.

(d) Various Rent and Revenue Acts that have been enforced from time to time have attempted to define the rights of various agricultural classes in land they own or cultivate. The tendency has been to give more or less a permanent interest in land to the cultivators, lower the limits of enhancement and lengthen the period after which any enhancement of rent can take place. As the conditions of tenancy are different in Agra and Oudh separate legislations exist for the two parts of the Province.

The effect of the tenancy laws, so far as indebtedness goes, has been considerable. Credit is now available at cheaper rates and the total volume of debts is certainly much less than what it would have been otherwise.

(e) In 1930 a grave situation was created by a steep fall in agricultural prices brought about by the great economic depression. The income of the agriculturists suddenly shrank and a financial disaster faced them. The Government had to step in to avoid a total collapse of the economic structure of the Province. They passed numerous laws relating to rent, revenue and debts.

By an executive order the Government in 1930 allowed remissions of rent and revenue and passed the U.P. Arrears of Rent Acts 1 and 2, in 1931 suspending ejection of tenants for arrears falling due between 1st July, 1930 and 30th June, 1931 provided within 2 months of a decree 2/3 was paid. The landlords, also, were given the concession of getting their revenues realized as arrears of rent.

Another Act known as the U. P. Assistance of Tenants Act was, also, legislated in 1932 giving the courts the powers to remit arrears of rent for 1337 and 1338 F. upto 25 % provided failure to pay was not deliberate.

Six Debt Acts were passed to relieve the agriculturists. These Acts were as follows: (i) The Temporary Regulation of Execution Act. (ii) The Temporary Regulation of Sales Act. (iii) The Encumbered Estates Act. (iv) The Agriculturists Relief Act. (v) The Usurious Loans Amendment Act. (vi) The Agriculturists Loans Amendment Act.

Under Act No. (i) if within 30 days of the date of application $\frac{1}{4}$ th of the decree is deposited in the court, execution will be stayed. The balance will be paid by annual instalments to the court. The instalments will not exceed five and no interest will be payable on the instalments. If the rate of interest is more than 24 % p. a., 35 % of the decree will be written off and if it is 24 % or less, 25 % need not be paid. The Act applied to tenants and petty landlords.

The object of Act No (ii) was to regulate sale of agricultural land. The Collector was given the power to determine pre slump price of land and give to the decree holder the option to take so much of land as will satisfy the decree on the basis of pre-slump prices of land, to postpone sale till November 1936 or to have decree realized by sale of land which would satisfy the claim at pre-slump rates

Act No (iii) gives the option of applying to the Collector for getting the benefits of the Act. The Civil Courts decide the Assets and the Liabilities. All executions are stayed against the landlords admitted to the benefits of the Act. Liberal instalments for debts are allowed and an attempt is made to save the property. Pre slump rates for debtors land are allowed and maintenance for the landlord is provided for.

Act No (iv) is the most important piece of legislation regarding debts of the agriculturists. Extensive advantages have been conferred on the cultivators by this Act.

For all debts contracted after 31 12 1929, for secured as well as unsecured loans, the range of interest has been fixed. In the case of secured loans it is $6\frac{1}{2}$ - $9\frac{1}{2}$ % p a and for unsecured loans 10-14 %.

The Government has taken the power to fix future interest in decrees, the rate not exceeding $3\frac{1}{2}$ %.

Rates, according to the Act, are made applicable to other loans which may not have been decreed. Liberal instalments are permitted. So that people may clear off their liabilities promptly if loans are paid off within stipulated period even in the case of unsecured loans, rates applicable to secured loans will apply. The Act also prescribes the form in which accounts should be maintained by the money lenders.

The Act reduces court charges so that litigation may not be expensive. For the same purpose suits against an agriculturist can only be instituted in a court having jurisdiction over the area he resides in.

The debtor has been given the right to sue the creditor for account and a limit has been fixed for the execution of decree by sale of agricultural produce.

According to the Act a usufructuary mortgage cannot last more than 20 years.

As regards Acts (v) and (vi) we have already dealt with them at another place.

Effects of these Acts. The first three Acts, were temporary and expired on 29-10-36. The other three are permanent and still in force. The Acts gave immediate relief to the landlords and the tenants no doubt, but they have shaken their credit. Rights of the creditors are hedged in by so many restrictions that they are not willing to give credit to the agriculturists. There is no sanctity of contracts and creditors are afraid that the full amount of a loan may never be paid to them. Scarcity of credit has come into existence as a result of these legislations and is not good for Agricultural Industry. Credit and Agriculture go together and unless sufficient credit is available agricultural operation may come to a stand-still or at least become less efficient. These laws have solved only one aspect of the problem. Unless facilities for productive credit are enlarged the legislations, instead of helping the agriculturists, will definitely injure agricultural production and make the lot of the cultivators very hard.

Increased help of co-operation in the field of credit, production, sale and marketing is urgently needed to enable the agriculturists to avail of the benefits, debt legislations are capable of bringing to the agriculturists.

CHAPTER III

PRINCIPLES OF COOPERATION.

Literally cooperation means working together, but there is a special meaning attached to the term in economic discussions. Although different workers, engaged in the production of a commodity under a common employer, will be said to cooperate in ordinary language, 'cooperation' in our discussions will not cover such a joint action.

Cooperation, as cooperators understand it, is a method of business organisation. It is an idea which can be applied to organisation of multifarious activities of man, and its application to human activities gives rise to organisations which are fundamentally different in character and in their effects to any other known organisation, of such activities.

The theory of cooperation, according to the committee on cooperation*, is 'that an isolated and powerless individual can, by association with others and by moral development and mutual support, obtain in his own degree the material advantages available to wealthy or powerful persons, and thereby develop himself to the fullest extent of his natural abilities. By the union of forces material advancement is secured, and by united action self-reliance is fostered, and it is from the interaction of these forces that it is hoped to attain the effective realisation of the higher and more prosperous standard of life which has been characterized as 'better farming', 'better business' and 'better living'.

This enunciation of the theory of cooperation will, however, not hold good in all cases as the benefits of united efforts need not be confined to weak, powerless individuals only. Even rich individuals by united efforts and 'self-help through mutual help can attain a more prosperous standard of life.

Translated into action cooperation implies an association of individuals for some common object.

Definition. Numerous definitions of cooperation have been given by different writers. Herrick defines cooperation 'as the act of persons, voluntarily united, of utilizing reciprocally their own forces, resources or both, under their mutual management to their com-

* *MacLagan Committee 1915.*

mon profit or loss'. Sir Horace Plunkett's, definition of cooperation is 'self-help made effective by organisation'. H. Calvert, the famous cooperator of the Punjab, has defined cooperation as 'a form of organisation wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of the economic interests of themselves'.

According to Fay, again, cooperation implies 'an association for the purposes of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership, share in its reward in proportion to the degree in which they make use of their association'.

Sir Horace Plunkett's definition, though cryptic, gives the real conception of cooperation. Both Calvert and Fay have excluded from the purview of cooperation associations for purposes other than economic. Herrick's definition is an amplification of what has been tersely put by Sir Horace Plunkett.

Although all the definitions of cooperation given above do not go far enough they serve to indicate the basic principles of cooperation.

Principles. (a) Voluntary nature of the Association. Every cooperator is agreed that the nature of the association must be absolutely voluntary. Every individual who wants to associate must do so of his own free will without undue influence or coercion from any other source. In fact, it is the voluntary nature of association that distinguishes cooperative organisations from some other organisations. People should themselves be conscious of the benefits of association and willing to associate themselves with others. A person who does not believe in the utility of united effort himself but joins an association because of the threats of his superiors or with a view to gain favours of some individuals, will be no good as a cooperator, and an association formed of such members will fail to effectively realize the object for which it was started.

(b) Principle of 'self-help through mutual help'. Voluntary association of the people alone will not, however, make it a co-operative organisation, for most of the other associations, like a joint stock concern, are also organised on this basis. The chief motto of cooperation is 'self-help through mutual help'. It is this principle which makes a cooperative organisation different from all other organisations. A cooperative body is not an organisation of

individuals, which tries to exploit others and thereby brings advantages which can be shared by the members of the organisation. It is an organisation of those who require assistance but do not depend on outside help. They join to pool their resources and by helping each other help themselves. They try to lift themselves out of weakness into strength by following the principle 'Each for all and all for each'. There is no conflict of interests between those who need help and those who help them. The needy and the helpers are one and the same. People having the same requirements associate and contribute so that out of their contributions those who stand in need of help may get the required assistance. They also know, in case any help is required by them, it will be forthcoming in future from those whose difficulties have been solved for the present.

The principle of 'Self help through mutual help' implies a change in the attitude of mind of those people who follow the principle in their organisation. Instead of working on the motto 'Each for himself' the sympathies of co-operators extend much wider and include the welfare of the whole body. Selfish attitude of mind and self interest are wholly incompatible with the idea of cooperation.

(c) **Elimination of Individualism** As a necessary corollary of the principle of 'self help through mutual help' individualism finds no place in a cooperative association. If every body were to look after his own interest without any regard for the interests of his fellow being there will be no basis for an association.

Individualism generates competition which cooperation seeks to avoid. Individualism, therefore, has to be completely eliminated before a co-operative association becomes possible. The main difference between a capitalistic organisation and a cooperative association hinges on this point. The former has individualism as its mainstay, the latter seeks to eliminate it.

(d) **The Principle of Democracy** But one of the corner stones of cooperation is the principle of 'Democracy'. In a cooperative association all the people must meet on a basis of equality. Cooperation knows no distinction of caste or creed, high or low, rich or poor. The rights, privileges and duties of every member are identical irrespective of the fact that members may

belong to different religions, different castes or be well or ill situated in life. On the same basis the doors of the association should always be open to everybody who may elect to join it.

A cooperative organisation shows no favours to any of its members on the basis of his riches or poverty. Members meet as human beings and reap the benefits of association in equal measures.

Absence of full, complete democracy in a cooperative association makes it an organisation dominated by sectional or special interests and operation of the principle of 'self-help through mutual help' ceases altogether; for exploitation of a section replaces general good of the members of the association.

(e) **Emphasis on Character.** Unlike any other method of business organisation the human side of the question is more emphasised by cooperation. Other associations pay no attention to the character of their members and are concerned only with the achievement of the objects for which they were brought into existence. Cooperation, on the other hand, not only tries to achieve a particular object, it gives more importance to the development of the character of its members by insisting on thrift and encouraging self-reliance and self-respect among them. In as much as, besides these, cooperation teaches the members to give up a selfish attitude of mind, it has 'a greater moral element in it than the economic one'.

Differences between Cooperation and other Organisations. As Cooperative Associations follow the above principles they are different from capitalistic organisations, trade unions, socialism or charitable organisations.

Trade Unions employ coercion on the employers to better the condition of the employees; cooperation tries to better their condition by organising them to improve their conditions themselves.

Socialism, again, does not recognise any right to private property. Cooperation does nothing of the kind. Freedom of the individual is respected by cooperation and conditions are improved through 'self-help through mutual help'.

Sometimes a charitable organisation is confused with a cooperative association although they are fundamentally different.

*Talmaki: *Coop. in India and abroad*, pp. 17

Both aim at helping the poor, but charity comes from outside, while cooperative help from within. One destroys self respect, the other encourages it.

Differences between capitalistic organisations and cooperative associations are fundamental and as one system is opposed to the other we shall discuss the differences more fully

(i) In a capitalistic organisation there is a union of capital. No attention is paid to the man who lends capital, it is the capital which matters. In a cooperative organisation there is a union of people, capital being secondary

(ii) The basis of a capitalistic organisation is always self interest. Self before God is the principle followed by such organisations. In cooperative associations there is no individualism. Self interest is sought to be satisfied through common interest. There is no plunder or trampling of interests opposed to one's own interest. Competition does not exist

(iii) Benefits of the association are shared equally by all the members of a cooperative association. In capitalistic organisations they are distributed according to the capital invested by different members

(iv) A clash of interest between the members of a capitalistic organisation and others who deal with them is inevitable, as the main purpose of such an organisation is profit. In cooperative associations the needy and the helpers being the same, there is no conflict of interests

We will thus be justified in calling cooperation as a method of business organisation on a moral plane.

CHAPTER IV

GROWTH OF COOPERATION.

Pre-Act Societies. The question of agricultural indebtedness had been taken up by Sir William Wedderburn in the Bombay Presidency in 1882 and a scheme of agricultural banks was proposed by him. Unfortunately the scheme fell through. But interest in the problem was aroused. In the U. P. Mr. Dupernex was placed by the Government on special duty. He studied the working of the cooperative institutions in Europe with a view to introducing the system in the Province. He placed his proposals in a publication entitled 'People's Banks for Northern India'.

On the lines suggested by Mr. Dupernex a few societies were started in 1900 as an experimental measure. The societies were started with a Government grant of Rs. 1000/- each. By 1904 the number of such societies had risen to 223. The societies were all village banks, and their only function was distribution and collection of agricultural advances on low rates of interest. The average membership of societies was 76, and the borrowed and deposited capital, on an average, amounted to about Rs. 391/- per society, i.e., a little more than Rs. 5/- per capita. Capital was raised mostly by loans at different rates of interest according to the source of the loan. In the beginning the societies advanced loans at a low rate of interest, but when they found difficulty in raising money the rate of interest charged from the agriculturists had to be increased. This left a bad impression on the people. Most of these societies had become dormant by 1904.

The societies followed rules similar to those in Europe. Loans were advanced for 6 months for reproductive agricultural purposes only. But they were innocent of the principles of cooperation. There was no idea of 'self-help through mutual help' and the societies did not bother about how the loans were being utilised. Although financial assistance was given to them by the Government, they were not given any other privileges.

1904-1907. Official recognition for the Cooperative Credit Movement came with the passing of the 'Cooperative Societies Act' of 1904. Under the Act the first 'Registrar of Cooperative Societies' took charge on the 3rd. November, 1904, and proceeded to draft

the by laws and consider the possibilities of starting credit societies. He was strongly of the opinion that the system of cooperative credit should not be confined to the village banks only, but should be extended to urban areas as well, specially among the weavers.

Registration of the societies under the Act of 1904 started only in 1905, and before the 31st March, 1906, 358 societies had been registered some of them being the village banks already working. In 13 districts Central or District banks were started. On past experience the Registrar thought it desirable that the future development should be on the lines of central banks with affiliated societies as branches. His opinion was that the system of village banks should be extended in the districts where it already existed but should not be extended to other districts unless the demand was spontaneous.

The increase in the membership of the central banks was, however, to be kept proportional to the increase in the capital of the central banks.

Thus what is known as the system of 'Patti' societies came into existence. The jurisdiction of the 'Patti' societies (central banks) extended over a number of villages. To the 'Patti' Societies were affiliated a number of societies consisting of members of one caste only. 'Where large societies are formed with a clientele extending over an area of 16-20 sq miles some such sub-division is of the greatest value'. The sub-divisions contained 6-30 members, one of them being elected headman. Loans were made to the members on his recommendations. He also helped in the recovery of loans. The 'Patti' society was managed by a panchayat elected by the headmen. Actually the power was exercised by the organiser who was also the Sarpunch. He estimated the requirements of the members and arranged for the money.

The central banks not being recognised under the Act, the constitution of the societies was so amended that all the members of the affiliated societies became members of central bank and separate registration was unnecessary.

The caste societies did not maintain any accounts. All the accounts were maintained by the 'Patti' societies and loans were also granted by them. In effect, therefore, the 'Patti' societies were nothing more than primary societies with a large area of operation. This system gave rise to a very serious difficulty. The

'Patti' societies were removed from the actual borrowers and there was a complete absence of intimate knowledge and mutual trust—the corner stones of a cooperative structure.

In order to attract more capital a system of compulsory deposits was adopted by a number of societies. The deposits were on the basis of rent or ploughs, payable at harvests.

The growth of the cooperative movement between 1904-07 can be judged from the following table* :—

Years	CREDIT			NON-CREDIT		No of members	Working capital (lakhs)
	Central	Rural	Urban	Rural	Urban		
1904-05	..	223	..	..	..	..	..
1905-06	8	49	2	12	1	14,796	2.0
1906-07	10	130	16	12	2	44,470	12.99

The rural non-credit societies were seed stores organised at Amethi in the Sultanpur district and the urban credit societies were really district banks with a share capital organised to finance rural societies whether affiliated or independent. Because the by-laws permitted loans to share-holders also these banks were not classified as central.

Urban non-credit societies were the Benares Silk Weavers' Association and the Kashi Cooperative Company.

1907-1912. By 1907 the system already working was found to be defective in many respects. The area of the 'Patti' societies was too extensive. Some difficulty was also experienced in keeping accounts and it was felt that the societies had failed to inculcate cooperative ideals.

The Registrar of the Cooperative Societies, therefore, recommended that small village societies should be started in preference to large societies. He felt that the benefits of cooperation could be best reaped in a small organisation where the members come in daily contact with one another, and where a part of the profit could be used for a common good purpose. 'One village one society' became the rule henceforth.

*Based on the Annual Reports of Cooperative Societies, U. P.

The main difficulty in this organisation was the paucity of literate men, capable of looking after the accounts of the society. This was got over by appointing Clerks or Muharrirs to look after 8-10 village banks in the neighbouring villages. They were paid a small contribution from each society and had to attend once a week. They had no hand in management. Their job was only to record transactions and maintain accounts.

It was, also, decided to make attempts to introduce a share system in the village banks. The system of compulsory deposits had not achieved the object of creating interest in the societies as they could be withdrawn at any time. The only way of creating and maintaining interest was to have a share system. Rs 10-20 per plough were to be contributed, payable in half yearly instalments of -/8/- to Re 1/-. A maximum dividend of 10% could be declared after ten years.

Mr Freemantle has ably summarised the advantages of the system. Since no interest was to be calculated, the working of the society would be very simple. Every member, having invested some money in the society, would take interest in the working of the society. The capital of the society would increase and a portion of the profits could be distributed after 10 years without wounding the susceptibilities of the Muslim members whose religion forbids them to charge interest.

The conversion of the old 'Patti' societies, therefore, progressed and the new societies were organised on the above model.

When the new type was introduced it was hoped that, the area being small, there would be closer supervision, and money would be borrowed only when necessary. Nothing of the kind happened, and members borrowed as much as they could. In 1910, therefore, the societies had to restrict credit. Loans henceforward were confined to short terms, and loans for the repayment of old debts were stopped.

The Haissiyat Registers were completed in rural societies by 1911-12.

Another landmark in the growth of cooperation was the Provincial Conference of cooperators which was held for the first time during 1908-09. The conference provided a common platform to the people to discuss numerous cooperative problems.

that were bound to arise. This conference was intended to be an annual feature.

The following table will give an idea of the growth of the movement during 1907-12.^{1*}

Years	CREDIT			NON-CREDIT		No of members	Working capital (lakhs)
	Central Banks	Rural Societies	Urban Societies	Rural	Urban		
1907-08	2	154	18	12	1	81,107	21·7
1908-09	3	305	48	12	1	79,251	33·0
1909-10	3	676	93	15	1	83,639	37·4
1910-11	12	1,090	134	18	4	94,031	49·6
1911-12	31	1,711	168	30	6	99,769	71·6

The fall in the number of central banks from 10 to 2 in 1907-08 was due to a change in classification. Seed societies more than doubled themselves in number and the number of urban credit societies also increased.

Urban societies were of two types: (i) District banks dealing with registered cooperative societies and individuals and (ii) others dealing with their members only strictly on a cooperative basis. Even in the district banks a tendency for gradual elimination of individual borrowers was noticeable. Urban societies were mainly clerks' societies and production and distribution societies organised for cottage workers. In 1909-10 cooperative yarn stores were opened at sandila (Hardoi) and Tanda (Fyzabad). General co-

¹. Table based on the Annual reports of Cooperative Societies in U. P.

- *(a) In 1907-08 only 3 rural non-credit societies (Seed Stores) were working. Figures for only 143 rural credit societies are included.
- (b) In 1908-09 only 4 seed stores were working and figures only for 45 non-agricultural credit societies and 200 agricultural credit societies are included.
- (c) In 1909-10 figures only for 90 non-agricultural credit societies, 623 rural credit societies and 7 seed stores are included.
- (d) In 1910-11 figures relate to 11 central societies, 122 urban credit societies and 1053 rural credit societies.
- (e) In 1911-12 figures only for 1681 rural credit societies were included.

operative stores were also organised at Sandila and Cawnpore in 1911-12. The first cooperative dairy came into existence in 1911 at Benares. A scheme for cattle insurance was also formulated and the by laws were framed.

The increase in the rural societies was the greatest where the societies had been working satisfactorily and where the District or the Central Bank undertook the organisation of societies.

1912-18. The 3rd Conference of the Registrars held in 1908 had suggested amendment of the Act, and the 4th conference in 1909 reaffirmed their previous recommendation. In their opinion the classification of cooperative credit societies into urban and rural was unscientific, and higher cooperative finance and non-credit activity needed recognition. In 1912 therefore, the Act of 1904 was amended. The societies henceforth, were to be classed as limited or unlimited on the basis of liability. The rural credit societies according to the Cooperative Societies Act (Act II of 1912) had to have unlimited liability. The other two recommendations, also, were incorporated in the Act.

The number of central banks increased as a result of this Act. The increase was due partly to a change in classification and partly to opening of new central banks. District banks which were so far included in the urban societies were classed as central banks. The very next year their number rose from 39 to 51. The increase continued upto 1914-15. During the next two years the number remained constant but in 1917-18 it fell to 51. Some central banks had to be amalgamated with others as they failed to attract honorary workers and some had to be closed either because they could not enlist public support or because they were mismanaged.

The policy followed in the Province was to affiliate societies to central organisations as soon as possible, as in the absence of central societies it was necessary for the Registrar to exercise close supervision. At the same time financing was difficult, and the societies lacked initiative.

Non agricultural credit societies also increased upto 1914-15, but the number began to decrease thereafter. The non credit activity, however did not receive the expected stimulus from the Act of 1912.

There was a constant increase in the number of agricultural credit societies except during the last year of the period.

The following table gives an idea of the growth of the movement :

Year	CREDIT			NON-CREDIT		No. of members	Working Capital (lakhs)
	Central Banks	Rural Societies	Urban Societies	Rural	Urban		
1912-13	51	2,301	170	3	5	106,627	86.7
1913-14	55	2,549	179	11	6	116,069	114.2
1914-15	58	2,704	181	12	7	116,525	117.5
1915-16	58	2,936	175	18	7	118,864	120.3
1916-17	58	2,995	162	18	10	114,165	120.4
1917-18	51	2,864	152	17	10	101,626	111.3

In 1913-14 the cooperative movement passed through a severe agricultural crisis. Both the crops failed, and cattle mortality rose very high due to the scarcity of grass and high prices of fodder. Even for the kharif seeds, which are generally stocked by the cultivators, loans had to be borrowed and the maintenance and irrigation of crops required larger loans. All these had their repercussions on the movement. There was a terrible strain on the finances of the agricultural societies.

As a result of this, formation of new societies was discouraged, and only a few societies were registered. Greater caution was exercised in admitting new members in order to exclude persons who had no faith in cooperation but wanted to take advantage of cooperative credit.

War No. 1. Before the cooperative movement could recover from the shock of the famine the first Great War broke out in 1914. Under the stress of the famine and war conditions the weaknesses of the movement became apparent. It was soon found that the agricultural societies and specially the societies organised for cottage workers were not running smoothly. The central banks had failed to maintain an intimate contact with the member societies. Although supervisors were appointed by the banks, they did not have sufficient training.

The war itself affected the movement in various ways. The rice and wheat crops had failed. High prices due to war

*One Guaranteeing Union started in 1916-17 is not included in the table.

conditions, therefore, did not bring much advantage to the agriculturists. Their cash crops were cotton, sugarcane and oil-seeds. The prices of oil seeds and cotton declined because of the shrinkage in exports. Only those who produced sugarcane had any benefit. Even they could not reap the full advantage as the crop had been sold out before the outbreak of the war.

Under these circumstances the effects of the war on repayment of loans and deposits were considerable. The members were unable to repay to the societies, and the societies, in their turn, to the central and district banks. Failure to pay was partly due to the apprehensions that cooperative societies would close down. This impression was based on the banking crises which had already occurred in the urban areas.

The conditions of the members of non agricultural societies were no better. They suffered from slack trade and highly increased cost of living.

It was inevitable, therefore, that the overdues should mount up. About 17 lakhs of rupees out of Rs 45 lakhs was outstanding at the close of the first year of war as overdues.

The deposits upto August, 1914, were normal but the declaration of war created a panic. The cooperative societies after that could not get any fresh deposits. The run on the commercial banks gradually spread to the co-operative banks and the banks found that, although they were in a position to pay back all deposits, they would not be able to meet the requirements of the members. On the recommendation of the Registrar the Government had to come to their help by advancing Rs 2.55 lakhs at 6½%, repayable in two equal annual instalments. The withdrawal of deposits did not take place to the same extent as in joint stock banks, mainly due to the influence of the directors and the managers of the banks. Towards the end of 1914 the panic had disappeared and fresh deposits began to come in. At the end of the year members' deposits showed an increase of Rs 59 lakhs and non members' Rs 1.36 lakhs over the figures of the previous year. The situation in respect of deposits and repayment of loans improved in 1915-16 and the improvement continued.

Another effect of the war was that there was again little expansion of the movement. Both the total number of societies and their members remained almost stationary. The relief from the work of expansion gave an opportunity to the central banks to divert their attention to improvement in supervision, but the effect

of the stoppage of expansion was a reduction in the number of central banks from 58 to 51 in 1917-18.

Among the urban credit societies the Employees' Societies had been increasing and working well. In 1912 the Agra Telegraph Society was started with membership open to all the servants of the Telegraph Department, and in 1915 Postal Employees' Society was started with headquarters at Lucknow.

During 1912-13, one Domestic Servants' Society was organised at Allahabad and another Traders' Society at Benares. By 1915-16, however, the first had failed and the second was languishing.

By far the largest number of urban societies consisted of the artisan societies. Upto 1915 the number of these societies increased steadily. From 124 in 1911 the number rose to 188 in 1915. But it fell down in the next four years due to the effects of war. In 1918 the number was only 143.

Credit Societies in towns were organised on trade or geographical basis.

Agricultural non-credit societies increased in number till 1915-16, but since then were almost stationary. These comprised cattle insurance societies, those connected with the sale of milk, ghee and dairy products and an agricultural supply society registered at Mainpuri in 1914-15.

The first cattle insurance society was organised in Badaun in 1912-13. The insurance societies, whose number increased to 5 in 1915-16, had not been working satisfactorily. The work of the society was not understood and most of the transactions were found to be fictitious. The insurance societies had to be closed one after another in 1916-17.

Ghee societies were doing good work and so also the milk societies. The dairies at Benares and Lucknow were progressing.

Most of the development in non-credit agricultural activity was, thus, in the field of milk supply and supply of dairy products. This itself was a direct outcome of the war. There was a great demand for good milk and ghee from the military and the societies did good business.

Among the non-agricultural non-credit societies there was a slight though steady increase during this period. The predominating feature of the non-agricultural non-credit activity was the growth of distributive cooperation. With the exception of the Carpenters' Cooperative Workshop at Bareilly and the Garhwal

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Transport and Supply Association started in 1916 17 the rest of the societies were Cooperative Stores. The Keramat Sugar Factory at Jaunpore had been closed in 1912 13, and the same year liquidation proceedings had, also, been started against the Benares Silk Weavers Association.

During the war, due to high prices, a number of Cooperative Stores were tried in educational institutions. The Hindu College Store at Benares began to work well in 1913 14. Two new stores were organised at Allahabad, one in the Muir College and the other in the Hindu Boarding House in 1914 15. The same year another store came into existence in Mirzapur. The next year Oxford and Cambridge Hostel opened a store and so did the Hindu College Boarding House at Meerut.

1918 1926. The general progress of the movement during this period would be clear from the following tables *

Table No I

Year	CREDIT		NON-CREDIT				Working capital (lakhs)
	Central Banks and Societies	Agr Societies	Non-agr Societies	Agr Societies	Non agr Societies	Members (lakhs)	
1918 19	53	3,177	154	10	9	1.02	116.4
1919 20	65	3,488	135	10	13	1.01	114.1
1920 21	68	4,213	168	10	24	1.15	129.6
1921 22	71	4,848	171	10	28	1.33	144.3
1922 23	74	5,192	192	10	25	1.42	161.6
1923 24	76	5,436	206	9	22	1.50	167.5
1924 25	76	5,072	227	6	17	1.61	180.6
1925-26	74	5,804	241	5	22	1.65	188.5

Table No II

Years	Number of Guaranteeing Unions
1918 19	4
1919 20	10
1920 21	10
1921 22	9
1922 23	9
1923 24	6
1924 25	2
1925-26	2

*Tables are based on the Annual Report of Cooperative Societies in U P

The tables show an increase in the number of central societies which include a few non-credit central societies also.

Agricultural credit continued to be the predominant feature of Cooperative growth. The new societies were much smaller in size and that accounts for a less than proportional increase in the membership.

Among the non-agricultural credit societies there was a drop of 19 during 1919-20. Most of the societies dissolved were urban societies of small traders and shopkeepers. Other artisan societies such as unlimited liability societies of weavers, durrie makers, carpet makers, shoe makers and glass bangle makers were doing well.

The limited liability societies, which were generally organised for the officials or the employees, had been more satisfactory though they were much less cooperative than artisan societies.

The system of Guaranteeing Unions, as a link between cooperative societies and central banks, could not be successful. The guarantee given by the Unions was considered inadequate and the central banks did not see their way to reduce the rate of interest. From 10 in 1919-20 the number dwindled to 2 in 1925-26.

The number of non-credit agricultural societies remained almost constant till 1922-23 and later showed a decline. The last of the cattle insurance societies was dissolved in 1919-20. The principles of insurance were not understood by agriculturists and they were not willing to give up their past practices. An attempt was made to revive this type of society in 1921-22 but like the previous societies it, also, had to be wound up in 1925-26.

A new type of society was tried in Bijnor—the cattle breeding society—in 1919-20, and the next year a central society was organised at Hardoi to supply improved seeds and implements.

The ghee societies had not been working satisfactorily and had to be dissolved one after the other. The Benares and Lucknow dairies had become moribund and so also the agricultural supply society of Mainpuri.

It was evident that agriculturists had not realised the advantage of non-credit cooperative activity, and, perhaps, time was not yet ripe for it.

The Cooperative Department was trying to find out new types that would, perhaps, have a better fate. In 1924-25 the Registrar discussed the possibilities of organising consolidation of holdings on the Punjab model and the next year three such societies came into existence.

The non agricultural non-credit societies, however, showed better results. The number of such societies increased upto 1921-22 but there was a decrease thereafter till 1924-25. The increase was due to the establishment of general and college stores. The fall in number after 1921-22 was due to the failure of a few of these stores.

Even the housing societies did not work satisfactorily due to the lack of Government support.

The most important feature of the movement was the organisation of societies for cottage industrialists. Seven societies existed in 1925-26 for them—two for the durnie makers, three for weavers, one for shoe makers and one for brass workers.

The tenth U P Cooperative Conference, as early as 1921, had remarked that the central cooperative organisation was the most suitable agency for the organisation of industrial societies, and had recommended that every central bank should pay special attention to small industries.

It was gratifying therefore, that at least in some industries these recommendations were tried.

After the war, under the Government of India Act, 1919, Co-operation became a provincial transferred subject. More attention was therefore, paid to the movement and between 1919 and 1923 the staff of the Cooperative Department was increased considerably.

In 1919 a Standing Committee of cooperators was constituted with 20 members elected by central banks, 1 member by independent societies and 5 nominated by the Registrar. The Registrar was to be its president and the Deputy Registrar and one non-official vice presidents. The functions of the Committee were to advise the Department on matters referred to it by the Registrar or cooperative institutions to suggest improvements in the working of the societies, and to help the development of Co-operation in general.

The settled policy of the Province was to combine consolidation with expansion. The policy, however could not materialise. There was little consolidation during 1919-26 as many as 3,300 new societies being started during the period.

The Oakden Committee. The Board of Revenue in their report in 1921-22 pointed out 'that there was little genuine co-operation and the public were apathetic'. Commenting on the observation of the Board even the Registrar admitted that co-operation was not a living force in the Province and lacked the earnest and active support of non-officials.

In September, 1925, therefore, the Government set up a Committee which is known as the Oakden Committee "(i) to enquire into and report the reasons why cooperative societies in various localities have not succeeded better in gaining the support of the people and (ii) to make proposals for improving the organisation, supervision, control, audit and financing of the movement in all its branches."

The committee held its sittings at the important towns of the Province and examined witnesses. The President visited the Punjab also, and discussed the system there with Messrs. Calvert and Strickland. The report of the Committee was submitted in March, 1926.

In their report the Committee has dealt with the defects and difficulties of the movement and made numerous recommendations.

Recommendations: (a) Organisation. It pointed out that the main defect lay in the organisation of the movement. Undesirable members were freely admitted. Societies were formed for expansion's sake and the principles of cooperation were not properly explained. In their opinion, it was mainly due to the incompetence or negligence of the officers organising the society and testing its organisation.* They recommended, therefore, that 'special attention should be paid by Junior Assistant Registrars to this highly important work and their recommendations should more often be checked by Assistant Registrars either before or after registration, according to circumstances.'†

(b) Supervision. Supervision, which was the responsibility of the central banks, was also found to be defective, and the Committee recommended that the supervising staff of the central banks should be provincialised and placed under a provincial committee. The Standing Committee of cooperators was to be reconstituted and called the U. P. Cooperative Committee and the nominated element was to be reduced gradually. The staff should work under the direct supervision of the Provincial Committee or under a union or a central bank or a district cooperative committee according to local circumstances. The powers of appointment, transfer, promotion and punishment should, in every case, vest in the 'Provincial Committee.'

* Oakden Committee Report, Chap. V, p. 16.

† Oakden Committee Report, Chap. V, p. 18.

(c) **Agricultural Credit Societies.** The Committee emphasised the need of developing independent primary societies, and, though it was recognised that group secretaries were not desirable, it was felt that it was difficult to abolish the system. It was suggested that member secretaries should be appointed so far as possible, and when new societies are opened, all efforts should be made to secure a local secretary. School teachers were considered eminently suited for this purpose, and it was recommended that they should be encouraged to take more interest in the societies.

It also accepted resolution X of the 13th meeting of the Standing Committee and recommended that the period of repayment of loans granted by the central banks should be as follows:—
 (i) Loans for seed and rent 1-2 years. (ii) Loans for purchase of bullocks 2-4 years. (iii) Loans for repayment of old debts 3-7 years. (iv) Loans for marriages 1-3 years. (v) Loans for funeral and other ceremonies 1 year. (vi) Loans for improvement of land 7-10 years. (vii) Loans for other items 1-2 years.

Postponements were recommended for reasons beyond the control of the borrowers.

The committee viewed with grave concern large number of liquidations of cooperative societies, and recommended that, while bad societies should be promptly liquidated, all attempts should be made to save the other societies from liquidation. Reduction in the rate of interest during liquidation proceedings, and transfer of the proceedings, after the contribution order is sanctioned by the Registrar, were also considered desirable. Before the contribution order is passed the share money to a member's credit was to be deducted from a member's debt.

The Committee was definitely of the opinion that caste societies should be encouraged where the caste panchayats were powerful. They recommended the formation of a large number of thrift societies among the employees.

According to them unlimited liability should mean 'contributory unlimited liability.'

(d) **Cooperation and Agriculture.** In addition to cooperative credit societies, in the opinion of the Committee, other cooperative activities should also be undertaken. It was recommended, therefore, that the Cooperative Department should pay more attention to the study of Rural Economics and rural problems, and preference should be given to the graduates of the Agri-

cultural College in the appointment of Junior Assistant Registrars. The officers of both the Department of Agriculture and the Cooperative Department should, also, undergo courses in Cooperation and Agriculture respectively, and there should be a better collaboration between the two departments.

It was suggested that a number of societies should be organised for agricultural purposes specially for the supply of seed, manures and implements and consolidation of holdings. Sale societies were not recommended.

(e) Cooperation and Industry. Regarding cooperative organisation of the industries it was pointed out that the management of Industrial Societies was very difficult and the Committee suggested that the number of such societies per supervising officer should be half the number of agricultural societies. For supply of raw materials they did not find any objection in letting the primary societies buy their own raw materials. To encourage industrial societies it was proposed by the Committee that the cost of supervision should be met by the Government where the societies are in sufficient numbers. Reduction in interest on Government loans was favoured and so, also, instalments of loans. The Committee did not recommend sale of finished products by a central store till it was firmly established.

The staff of the industrial societies, in their opinion, should be conversant with industrial and commercial problems, and the appointment of two Junior Assistant Registrars for such societies was recommended.

(f) Central Banks and Banking Unions. Banking unions as a link between the cooperative societies and central banks were strongly recommended, and Resolution I passed by the Standing Committee at its 12th meeting was approved. According to it the central banks were required to keep liquid cover as follows:— 25% for fixed deposits, 33% for saving deposits and 60% for current deposits. The liquid cover was to be maintained in the form of (a) cash in hand and bank, (b) Government papers, (c) Post Office Saving Bank deposits, (d) other investments of a liquid nature in outside concerns approved by the Registrar and (e) undrawn balances of an assured cash credit.

The submission of a list of borrowing members with loan applications to the central banks was not considered desirable as it gave an impression that the central bank dealt with individuals.

However, if a loan was in excess of a member's normal credit, sanction of the central bank was considered necessary. Enquiry into individual loans should be made very rarely.

(g) **Provincial and Land Mortgage Banks** For a planned development of the movement the Committee felt that a Provincial Bank, on a modest scale, should be started. Land mortgage banks were also recommended.

(h) **Cooperation and the State** The help given by the Government was found to be inadequate, and the recommendations of the Committee were that the Government should (a) permit deposit of district and municipal board funds in approved central banks, (b) refund $\frac{3}{4}$ of the money-order commission paid for remittances and (c) lend money to housing societies. Government officers, specially the district magistrates, it was pointed out, should take a keener interest in the movement. Likewise, it was felt by the Committee that the municipalities and district boards should assist the movement and exempt cooperative societies from local taxation.

(i) **The Cooperative Department.** So that the Department may work efficiently it was recommended that the Registrar should have nothing to do with the registration of joint stock companies, a Deputy Registrar should be appointed and the number of Assistant Registrars should be increased. The number of societies in the charge of an Assistant Registrar was to be, to start with, 1,000 but later it could go up to 2,000. An increase in the number of Junior Assistant Registrars was also recommended and they were to be employed on original audit. In order to facilitate de-officialisation of the movement, like other provinces, appointment of Honorary Assistant Registrars was considered desirable. For efficient audit it was found that a considerable increase in the number of auditors was immediately needed.

(j) **Education and Propaganda.** The Committee emphasised very strongly the value of cooperative education and propaganda and recommended leaflets and lectures. They thought that conferences and exhibitions served a very useful purpose and should become more common. For this purpose a grant from the Government was recommended.

The Government in their resolution dated the 16th September, 1926, accepted most of the recommendations of the Committee. They, however, did not think that the Provincial Bank was yet required. As regards supervision the Government agreed with

the Committee that the old method of organisation and supervision had failed. The new scheme depended, for its success, on the cooperation of central banks and pending consultation with them the Government felt unable to come to any conclusions.

The recommendations were given effect to, gradually, in subsequent years.

1926-39. The general progress of the movement can be gauged from the following table*

Table No I.

Years	CREDIT			NON-CREDIT			Working Capital (lakhs)
	Central Banks	Agri-cultural	Non-Agri-cultural	Agri-cultural	Non-Agri-cultural	Membership	
1926-27	70	5,874	256	6	31	163,983	197.4
1927-28	70	5,697	260	16	36	159,427	201.4
1928-29	70	5,390	243	54	45	151,785	217.0
1929-30	69	5,044	227	140	56	148,601	216.1
1930-31	69	5,010	223	250	68	147,736	222.8
1931-32	71	5,046	219	372	82	147,078	222.4
1932-33	71	5,083	222	429	92	148,927	226.3
1933-34	71	5,100	225	549	105	153,047	224.2
1934-35	71	5,475	260	778	109	177,545	226.3
1935-36	73	6,009	298	915	123	206,775	241.4
1936-37	72	6,432	332	1,356	142	260,908	256.9
1937-38	72	6,928	386	1,511	161	321,469	268.1
1938-39	70	7,218	457	2,808	188	522,062	309.5

The above table does not include non-credit central societies which had been increasing in number throughout this period. The following table will give an idea of this.†

Table No. II

Members

Years	No. of societies	Individuals	Societies	Working Capital (lakhs)
1926-27	3	193	129	·42
1927-28	4	381	132	·55
1928-29	10	602	200	·63
1929-30	9	556	242	·65

*Based on the Annual Reports of Cooperative Societies in U. P.

COOPERATIVE MOVEMENT IN U. P.

Years	No. of Societies	Individuals	Societies	Working Capital (lakhs)
				·86
1930-31	10	618	230	1·16
1931-32	14	1,033	280	8·71
1934-35	19	1,335	686	15·33
1935-36	41	6,005	986	20·72
1936-37	54	10,336	1,378	25·91
1937-38	77	35,489	1,884	11·10
1938-39	117	160,691	2,252	

Following the recommendations of the Oakden Committee a policy of reorganisation was immediately adopted by the Cooperative Department. No expansion in the agricultural credit societies took place between 1926-27 and 1930-31. Only a few new societies were started and a large number of bad societies was weeded out. Attempts were, however, made to give new life to those societies which could be saved. It was due to a very careful re-organisation that the working capital did not show a decrease but, on the other hand, increased steadily.

The first attempt to implement the recommendations of the Committee regarding secretaries was made in the Partabgarh district in 1926-27. The system of group secretaries was abandoned and the services of school teachers were utilised. A three years' programme for the removal of group secretaries, for the whole of the Province, was adopted in 1927-28. It was pointed out, however, in the annual report of 1928-29 that the system had not been working well. The secretaries who had been retained were neglecting their work and resorted to more trickery. An experiment, therefore, was tried of appointing for a limited period a special man in a supervisor's circle to go round the societies, and train two or three persons to keep accounts.

The crops had failed in 1928-29 and led to a deterioration in the condition of agricultural credit societies as is evident from the figures for the year. The Great Depression synchronised with the failure of crops and further aggravated agricultural distress.

The first land mortgage society on limited liability basis was started at Saidpur in the Ghazipur district in 1929-30 as an experimental measure. The society was not as popular as expected due to delays in getting loans from the society. In 1933-34 three more societies were added, one each at Fyzabad, Gorakhpur and Jalaun, and in 1934-35 another was started in Jaunpore. These five

societies continued to work till the close of the period. Their transactions were small mainly due to lack of funds. It was expected, however, that after the establishment of the Reserve Bank of India this difficulty would disappear.

The number of central banks and banking unions remained more or less constant throughout the period.

The non-agricultural credit societies, also, show a decrease between 1929-33. Non-agricultural limited societies, i.e., societies organised for artisans and traders etc. had not been working so well as the limited liability societies organised for the employees. The reasons for the decrease in numbers were the same as for agricultural credit societies.

The report of the Oakden Committee had shown that the credit movement had not developed satisfactorily. The low prices due to the Great Depression emphasised the need of developing non-credit activity. Greater attention was paid to the development of these societies.

The table shows a much greater development of non-credit agricultural activity as compared to non-agricultural non-credit activity. Agriculturists were very much more hard hit by the depression than non-agriculturists. It is, therefore, nothing surprising that greater attention was paid to them.

Agricultural Non-credit Societies: At the beginning of the period agricultural non-credit activity was confined to three dairies, one each at Allahabad, Lucknow and Benares, a few consolidation of holding societies, a few agricultural supply societies and a purchase and sale society which closed during the year.

The next year saw the closure of the dairy at Lucknow but an increase in the consolidation of holding societies. The attempt at rural development on a cooperative basis was further intensified and a better farming society was organised at Fatehpur.

In the subsequent years new types of societies were added to the list. Poultry Societies came in 1929-30, Better Living Societies in 1928-29, Irrigation Societies in 1929-30, Cane Supply Societies in 1928-29, Ghee Societies in 1930-31, Cotton Societies in 1931-32, Rab Societies in 1932-33, Seed Supply Societies and Societies for Marketing of Mangoes in 1935-36, Rice Supply Societies in 1936-37 and Cattle Breeding Societies in 1937-38.

All the types of societies were not equally successful. The Poultry Societies worked well, and the Irrigation, Better Living and

Better Farming societies continued to grow, and so did the Cane Supply Societies. The Ghce sale societies were also successful. But the open pan sugar factories had disappeared by 1934-35 and even the Biswan Factory had to be liquidated in 1937-38.

Although consolidation of holdings societies increased steadily in number they could not do much useful work and a very small area was consolidated.

Cattle Breeding Societies were still in an experimental stage at the close of the period. In 1938-39 provision for development of agricultural marketing was made. The Government granted Rs 17,000/- to the Cooperative Union for marketing of agricultural produce at 90 centres.

In 1937 the change in the constitution of India introduced provincial autonomy and the Congress Ministry came into office. The Ministry was pledged to rural development and a great development of Better Living, Better Farming and Adult Education was the consequent result between 1937-39.

Non-agricultural Non-credit Activity Non-agricultural non-credit societies also increased in number but the increase was very small. These societies included cooperative stores, cooperative housing societies, societies for cottage industrialists, thrift societies and women's societies.

Cooperative Union A very important landmark in the growth of cooperation was the formation of the U P Cooperative Union in 1928-29, according to the recommendation of the Oakden Committee. The general body of the Union consisted of two delegates from central banks, one of them being a member of a primary society, and a few direct representatives of primary societies. This body replaced the Standing Committee. The general body elected a Provincial Committee of 36. The supervisors were to be transferred to the Union and controlled by the Committee.

Gradually, throughout the period, the central banks joined the Union and the work of supervision improved. Supervisors received a thorough training at Patabgarh before being appointed.

The good effects of Provincialisation Scheme are apparent from the following table.*

I. Non-Provincialised Banks.

Years	Outstanding against Working Societies. (In lakhs)	Overdues including Postponements (In lakhs)	%age of Arrears	%age of Collection
1931-32	13.00	8.74	67.23	29.09
1932-33	11.24	8.92	79.35	29.22
1933-34	10.06	8.11	80.61	31.9
1934-35	11.05	8.50	76.91	33.11
1935-36	10.7	7.9	73.3	33.1
1936-37	10.5	7.2	68.9	39.1

II. Provincialised Banks

1931-32	35.49	23.12	65.12	35.29
1932-33	33.60	21.04	62.60	39.43
1933-34	30.96	17.87	57.70	40.07
1934-35	29.23	14.42	49.31	44.93
1935-36	32.7	14.0	42.7	58.0
1936-37	33.4	10.9	32.7	69.6

Cooperative Department. The staff of the Cooperative Department was strengthened, from time to time, to implement the recommendations of the Oakden Committee. The staff, at the close of the year 1925-26, was two Deputy Registrars, two Assistant Registrars, one Inspector Industries, twenty-six other Inspectors and fifty-two Auditors. In 1938-39 it was one Dy. Registrar, Seven Assistant Registrars, forty-nine ordinary Inspectors and sixty-one Auditors. In addition to this there were five special Inspectors, one each for adult education, women's societies, cottage industries, textile societies and consolidation of holdings. Ten temporary Inspectors were also appointed for the new marketing scheme which was to be taken up by the Department.

Special attention was paid, throughout the period, to the training of Supervisors and Inspectors.

*Based on the Annual Reports of Cooperative Societies in U. P.

1939-45 The table given below shows the general progress of the movement

Year	CREDIT			NON CREDIT		Member ship	Working Capital (lakhs)
	Central Banks	Agri cultural Societies	Non Agri- cultural Societies	Agri cultural Societies	Non Agri cultural Societies		
1939-40	70	7,707	409	7,377	237	794,001	319 0
1940-41	70	8,128	523	7 851	275	818,167	327 8
1941-42	69	8,685	559	7,650	289	854,541	386 6
1942-43	67	9 301	602	5,497	367	717,346	364 8
1943-44	66	9,732	627	6,808	456	766 000	383 63
1944-45	64	10 221	619	6 920	484	757,000	398 67

By far the largest number of cooperative societies consists of agricultural credit societies. A change in the policy regarding credit organisation took place in 1939-40. It had been found that 'single purpose societies' had failed to improve the condition of the rural population as too many societies had to be organised to cover all agricultural activities. At the same time it was, also, felt that the agricultural credit societies, even, did not cover an adequate percentage of population due to unlimited liability.

It was, therefore, decided that 'multi purposes societies,' should be given a trial. These societies which are briefly known as 'Village Banks' are intended 'to tack on to credit, marketing, supply of agricultural implements and better living activities'*

Accordingly, the policy of the Department has been to register as few unlimited liability agricultural credit societies as possible, convert the existing unlimited liability societies into village banks, and, so far as possible, organise new village banks.

In 1939-40 only 43 societies were registered for credit purposes alone. Only societies, whose audit classification was A, B or C, were brought under the conversion scheme. As many as 961 Village Banks came into existence, half of them being due to conversion. This process was accelerated in the subsequent years. The number of village banks rose from 961 in 1940 to 2,214 in 1941, 3021 in 1942, 3,697 in 1943, 4,308 in 1944 and 4,945 in 1945. The number of agricultural credit societies, on the other hand, shows a steady decline. From 7,213 in 1939 the number fell to 6,741 in 1940, 5,909 in 1941, 5,564 in 1942, 5,604 in 1943,

*Annual Report of Cooperative Societies in U P, page 7

5,418 in 1944 and 5,270 in 1945. Only a very few village banks have, however, been able to take up the work they were expected to.

The number of land mortgage banks remained constant at 5 throughout. The stunted growth of the movement is primarily due to the lack of an agency for long-term loans and the fall in the value of land. In 1945 the number was 6.

Non-agricultural Credit Societies: As compared to agricultural credit activity the rise in the number of non-agricultural credit societies has been insignificant.

Year	Unlimited liability societies	Limited liability societies.
1939-40	260	239
1940-41	249	274
1941-42	244	315
1942-43	234	368
1943-44	226	401
1944-45	216	403

The table shows that while unlimited liability societies have been steadily decreasing in number, the number of limited liability societies has been going up.

The limited liability societies are, in most cases, salary earners' societies and have been working very satisfactorily. The unlimited liability societies consist of societies for weavers, other industrialists, petty traders etc.

Non-credit Agricultural Societies: Following the policy of giving greater attention to non-credit activity, a large number of agricultural non-credit societies was organised. The movement was stimulated by the war which broke out in 1939 and increased the demand of many agricultural commodities. Special development took place in the milk, khoya, gur, rice, fruits and potato societies.

Khoya societies were started in 1939-40 and have increased in number. The scheme for growing and marketing potatoes on the hills was, also, introduced the same year and the societies brought into existence have been doing good business.

One pure agricultural supply society, which had been working fitfully, had to be closed in 1940-41.

The other non credit agricultural activities which were successfully carried on during the period were supply of seed, cotton production and sale, cane supply, irrigation, better living, consolidation of holdings and cattle breeding.

Special attention has been paid to the marketing of agricultural produce.

With the grant given by the Government in 1938-39 marketing of oilseeds and cereals was undertaken, and later the distribution of essential commodities was taken in hand, also

Non-agricultural Non-credit Societies Among the non agricultural non-credit societies the greatest development took place in the industrial societies and the stores. Large war orders were placed by the Government, and this stimulated many a cottage industry, e.g., tents, camouflage nets, cotton and hemp, towels, gauze, bandages and knitted goods.

The abnormal rise in the prices of necessities of life led to an increase in the number of general stores. The industrial stores increased as a result of greater industrial activity.

Women's societies worked satisfactorily but housing societies, although they increased in number, did not do much business due to scarcity of building materials and the greatly increased cost of construction.

Central Societies It was inevitable that, with an increase in the number of various types of societies, central societies should have increased in number. Central banks and banking unions remained, more or less constant but the interlending among them increased considerably due to (a) the development in the volume of the business of marketing, (b) increase in the number of societies and (c) war supply work.

The non credit central societies, both agricultural and non agricultural, continued to grow.

A special feature of the growth of central societies was a continuous increase in the number of marketing unions. All methods have been worked, i.e., outright purchase, sales on commission and an arhat shop on behalf of the Unions. The Dehydration Factories at Farrukhabad, Fatehgarh and Lucknow were handed over by the Government of India to the U P Government and these were entrusted to the Cooperative Department.

Provincial Bank. The increased interlending among the central banks and an increase in both central and primary societies brought home to the Government the urgent necessity of starting a Provincial Bank. In the budget of 1938-39, Rs 75,000 and in the budget of 1939-40, Rs 50,000 were provided for the establishment of the Bank. A scheme was drawn up and discussed with the officers of the Reserve Bank of India who advised that the capital of the Bank should be Rs. seven lakhs. Dr. Katju, the Minister in-charge, referred the question to the Provincial Committee of the Cooperative Union and Rs. three lakhs were promised. The calculations of the Government were, however, upset as the Employment Tax did not materialise. The scheme had to be postponed. In 1944, the question was again taken up and at last the Bank came into existence in December, 1944.

P.M.F. and Industrial Federation. Two more apex institutions came into existence during 1939-45. The Provincial Cooperative Marketing and Development Federation was organised in 1942-43 to coordinate the work of the marketing societies. It has undertaken marketing and distribution of essential commodities also. The Provincial Industrial Federation was registered in 1940-41. It executes orders through centres opened in the Province.

Provincial Cooperative Union. The Provincial Cooperative Union has been progressing from strength to strength. More and more central banks have joined the Union and there has been a continuous improvement in the efficiency of supervision. Only 7 institutions in the Province are outside the Union. The progress will be clear from the following table.

I. Provincialised Banks.

	1939-40	1941-42	1942-43	1943-44	1944-45
Loans outstanding against working societies (lakhs)	47.92	45.56	43.20	40.16	47.30
Overdues including postponements (lakhs)	11.75	8.72	8.8	6.77	5.66
Percentage of arrears to outstanding ..	24.5	19.3	20.3	16.85	12.0
Overdues (lakhs) ..	11.55	8.69	8.73	6.70	5.66
Percentage of overdues to outstanding ..	24.1	15.2	20.2	16.68	21.0
Percentage of collection	75.6	88.8	82.7	87.7	84.0

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II. Non-Provincialised Banks.

	1939-40	1941-42	1942-43	1943-44	1944-45
Loans outstanding against working Societies (lakhs) ..	8.11	10.0	7.53	7.53	8.15
Overdues including postponements (lakhs)	4.33	4.72	2.74	2.15	1.81
Percentage of arrears to outstanding ..	53.3	47.0	36.4	28.5	22.0
Overdues	4.32	4.71	2.74	2.15	1.8
Percentage of overdues to outstanding ..	53.2	47.0	36.4	28.5	22.0
Percentage of collection	53.0	55.0	68.5	68.8	78.0

Staff: With the enlargement of the activities of the Department the staff of the Cooperative Department in the U. P. was considerably increased. In 1941-42 one Additional Registrar was appointed. To look after war supplies the appointment of an Assistant Registrar was made. The number of Inspectors in that year was 79. Eighteen Inspectors looked after marketing and four after war supplies.

At present there are 7 Assistant Registrars, 112 Inspectors (49 for general duty). The number of Supervisors is 676. The number of Auditors is now 186 (91 for general duty).

CHAPTER V

AGRICULTURAL CREDIT SOCIETY

The principles of cooperation were first applied to the field of credit in the United Provinces. Even before the passing of the Act of 1904, a few societies had been started in the Provinces. These came within the cooperative fold in later years. Between 1904-1907 the system of Patti Societies* was tried. In such societies there was no contact between the society and the borrower and it was soon realised that the societies had failed to inculcate the cooperative principles. The policy, therefore, of organising societies on the principle of 'one village one society' was adopted after 1907 and still continues.

How a new Cooperative Credit Society is Organised. In a new or undeveloped tract there is an Organisation Fund. The object of the Organisation Fund is to organise, supervise and finance cooperative societies in the tract until such time as a registered central society comes into existence to take up these functions. A certain number of members subscribe funds for this purpose and the fund is managed by a general committee and an executive committee with the Collector of the district as *ex officio* chairman. An organiser is appointed to organise and supervise credit societies under the general directions of the executive committee. This committee considers all proposals for the registration of new societies.

The work of organising new societies where a district or central bank exists is comparatively easy. The people living in the surrounding villages soon hear of the cooperative societies and come to know of the advantages of credit societies and how they work. They, then, apply to the central or district bank for a society in their village. On the receipt of application the Executive Committee of the Bank, if it is willing to open new societies that year, considers whether the village is *prima facie* suitable or not.

If the village is considered suitable a member of the paid staff of the bank, usually the Supervisor of the circle, is asked to

* See Chapter IV : Growth of Cooperation in the U. P.

visit the village. He meets the applicants and other people in the village and explains the principle of cooperation. If he considers that all the conditions are satisfied he undertakes the organisation of the society.

The organiser of the society has to visit the village at least thrice. During his first visit matters are explained in a general manner. Special things to be explained are the principle of unlimited liability, the share system and its advantages, the advantages of thrift and how to practice it, the duties of the panchayat, the terms of loans, the objects for which the loans can be granted and the necessity of punctual repayment.

At the second visit the above points are explained again and organisation of the society is started. He has to see that honest members are selected, that the panchayat consists of representative, influential and dependable members, that not more than one person from one single joint family is admitted, that a person is not a member of more than one credit society, that a correct Haissiyat statement is drawn up, that the number joining the society is sufficiently large and that the first loans are strictly for current expenses.

At the third visit the principles of cooperative credit are reiterated and the responsibility of the panchayat for loans and their collection is emphasised. The by-laws are read loudly. If he finds that conditions are satisfactory, a list of intending members is drawn up and the application and Haissiyat statements are filled in and signed. The Sarpanch and the Treasurer are nominated at this stage. Shares are also allotted and the basis of allotment indicated. Entries in the form of organisation report are made and the completed papers are sent to the Junior Assistant Registrar* or the Manager of district or central bank.

The visits of the organisers should be so timed that they can meet the largest number in the village. The organisers should, also, *make special efforts to enlist the support of the village officials, landlords and other influential members.* No society should be organised where the people are very heavily indebted or where there are too many factions in the village.

The next stage in the organisation of a society is to inform the members of the proposed society that papers will be considered by the central or district bank and later by the Registrar and that orders may be passed in about a month.

*Junior Assistant Registrar-Inspector of Cooperative Societies.

A careful scrutiny of the papers by the Manager of the bank and the executive committee follows. It is considered desirable to verify the statements occasionally, specially the Haissiyat statement. One or two directors should visit the village for this purpose. They should also test the cooperative education of the people.

If the Executive Committee is satisfied that the society is fit for registration and can be safely advanced loans, a resolution is passed by them recommending registration. The papers, together with a copy of this resolution, are then forwarded to the Junior Asstt. Registrar. The committee of management must at the same time fix the credit of the society. The Junior Asstt. Registrar sends his own report to the Registrar.

The Registrar may (1) register the society, (2) return the papers for further information, for modification or for further cooperative education or (3) refuse registration.

If the society is registered, a certificate of registration and a certified copy of the registered by-laws are sent to the bank and by the bank to the society. A vernacular copy of the Act and the rules are supplied to the society by the bank.

When the society has been registered the Supervisor of the bank attends the first general meeting which confirms the proceedings of the organisation meeting and the election of the Sarpanch, the panchayat, the Treasurer and the Secretary. The 1st instalment of shares is collected in this meeting and arrangements are made for the purchase of shares in the district or the central bank. The amount to be borrowed from the banks should be determined in the meeting. The by-laws are again explained and the Supervisor teaches the secretary how to maintain books and registers.

The sarpanch and two other panches then proceed to the bank with an application for loan. This loan is usually promptly granted as it has already been discussed and approved before the society is registered. The bank arranges to pay the amount to the society if it is situated a considerable distance away from the bank. When the loan is received by the society the panchayat distributes it among the members and explains clearly to each borrower the terms of repayment. For a loan sureties are demanded and regular pro-notes executed.

The society thus begins to function.

Liability. According to Clause 4 of the Act of 1912 'the liability of a society of which the object is the creation of funds to be lent to its members and of which the majority of the members

are agriculturists and of which no member is a registered society, shall be unlimited'. The agricultural credit societies in the U. P., therefore, have unlimited liability.

The members are jointly and severally responsible for the debts of the society to the fullest extent of their property. Existence of a share system does not alter the liability of the society. No occasion has arisen so far to define what actually is meant by unlimited liability but the MacLagan Committee has suggested that unlimited liability should be interpreted as 'contributory unlimited liability'. Under contributory unlimited liability direct proceedings against individual members are forbidden and the amount is to be recovered through *per capita* levies on the members up to the full extent of their property.

Unlimited liability, however, does not place any restrictions on the alienation of property.

The advantages of unlimited liability are numerous.

- (a) Only honest members are admitted to the society and the chances of success are increased.
- (b) There is a careful check over the purpose and the utilisation of the loans.
- (c) It is a good security, and in some cases the only one, on which funds can be raised at a low rate of interest.
- (d) It also teaches the members the value of joint responsibility and makes them less self-interested.

In spite of the advantages, however, the illiterate agriculturists are afraid of undertaking unlimited liability for the acts of others, specially, if they happen to be more prosperous. They are afraid of losing their all and generally keep away from the society.

Unlimited liability, however, is not such a bugbear as many people take it to be. If the society is well managed and follows the by-laws strictly, there is no danger of the liability being ever enforced. At the same time all the advantages can be obtained by the society.

There are numerous features of the society which almost nullify the risks of unlimited liability. The area of operation is limited in order to ensure mutual knowledge. The selection of the members is on the basis of character. The maximum liability of the society and the maximum credit of the members is fixed on the basis of the 'Haissiyat' of the members and a margin of safety is maintained. Sureties are demanded for all loans and there is a careful supervision of how the loans are used.

Nevertheless, in the U. P., these things have not been realised by the people and unlimited liability has certainly been responsible for keeping the prosperous tenants, landlords and moneylenders out of the movement. This has resulted in a slow growth of the credit movement in the rural areas.

Area of Operation. In the United Provinces since 1907 'one village one society' is the accepted rule. Deviations from this principle are allowed by the Registrar of the cooperative societies for special reasons. If the village is a very small one, say with a population of 100, a society may be permitted to cover more than one village. But the villages so covered should be within a radius of 2 or 3 miles from the headquarters of the society. On the other hand, if the village is a large one and thickly populated, more than one society can be organised in the same village. The area of operation of the society has to be limited as unlimited liability requires mutual knowledge and mutual trust. Besides, unlimited liability can only be worked successfully if the distribution, collection and utilisation of loans are carefully supervised not only by the managing committee but by other members of the society also.

If more than one society is organised in the same village it would be better to organise societies on the basis of caste or religion as the bond of propinquity is very strong in such societies.

The average membership of the society has been as follows in the Province.

1908	267	1935	20
1912	34	1936	21
1916	39.5	1937	22
1920	22.4	1938	23
1924	24	1939	23.7
1928	24.1	1940	25.2
1930	23.3	1941	23.1
1931	22.6	1942	23.2
1932	21.4	1943	22.7
1933	20.8	1944	22
1934	20.2	1945	23

The small average, specially, during the later years shows that small societies have increased in number, and is an evidence of the fact that a large area of operation has been discouraged.

Objects. The object of the society is to provide its members with loans for necessary objects at a moderate rate of interest and to encourage thrift, self-help and cooperation.

Membership Membership of a cooperative credit society is open to any person above the age of eighteen, residing within the area of operation of the society. The person should be of good character and should be carrying on a business or trade of a permanent nature or cultivate land.

There are two types of members in a credit society: (1) The original members who sign the application for registration or the 'Haissiyat' statement. (2) Other members who are subsequently elected by a three-fourth majority in the general meeting.

A person, intending to join a society, has to apply to the Committee of Management and specify the number of shares he wants to purchase. Usually, at the time of application or sometime afterwards a full and true statement of assets and liabilities is also submitted by him. The application is considered by the committee and, if approved, the person is admitted to membership subject to the approval of the General Meeting.

One of the conditions of membership is that every member shall purchase at least one share and as many more extra shares as fixed by the Committee of Management on the basis of the 'Haissiyat' of the member.

Termination of Membership. Membership terminates by (i) death, (ii) withdrawal from the society after a month's notice to the Committee of Management provided the member is not indebted to the society or a surety for an unpaid debt, (iii) bankruptcy, (iv) expulsion from the society, (v) removal of residence outside the area of operation of the society, (vi) insanity, (vii) failure to hold at least one share, (viii) joining any other cooperative society (ix) or ceasing to be usefully employed.

Expulsion. A member can also be expelled by a resolution of the general meeting, passed by a 2/3 majority. Expulsions take place for the following reasons: (a) Failure to pay his share instalment within two months of a notice. Any payments already made towards shares may also be confiscated. (b) Failure to pay due debts (c) Misapplication of loans advanced inspite of warnings. (d) Borrowing money secretly from outside the society against the instructions of the committee of management. (e) Conviction for a

criminal offence involving moral turpitude. (f) Any action prejudicial to the interest of the society. (g) For dishonest dealings with the society.

A member once expelled is not eligible for re-election.

The share money is refunded to an ex or expelled member without interest after two years.

Funds of the Society. The funds of the society are derived from the following sources: (a) Entrance fees. (b) Shares. (c) Deposits. (d) Loans. (e) Donations and contributions and (f) the Reserve Fund.

Entrance fees are paid at the time of admission to the society. They are very small in amount, ranging between -/8/- and Re. 1/-, and are used for initial expenses. The savings are credited to the Reserve Fund.

Shares. The earlier societies had been started on Raiffeisen model and the members were asked to contribute only an entrance fee of -/4/-. The borrowers were not interested in the society, having nothing to lose. When the Act was passed, therefore, a system was introduced by which the members agreed to deposit a small sum each harvest, according to their means or the amount of their loans. This created some interest in the society and, at the same time, showed that the members appreciated the benefits from the society. The working of this system, however, brought to light certain defects. The deposits were withdrawable and a member could withdraw all the deposits and again lose interest in the society. Large number of small deposits presented difficulties in calculation of interest and maintenance of accounts. Mr. Freemantle, the Registrar, in 1907-08 became definitely of the opinion that share system alone was capable of creating permanent interest in the society. In view of the low economic position of the members of the society, he suggested that the value of the shares should be Rs. 10/- or Rs. 20/- per plough payable by half-yearly instalments of -/8/- or Re 1/-. Every member was to hold at least one share. No interest was to be paid on the instalments but after 10 years when the shares were fully paid up a dividend, limited to 10%, was to be declared.

Although shares are the property of the holders they are subject to some restrictions. Like shares in the joint stock concerns they are not transferable at the will of the members. No member can transfer shares unless he has held them for a year. And, even after that, the transfer can be made only to a member approved by the

society. These restrictions have been imposed so that undesirable persons may not acquire the membership of a society.

A number of advantages accrue to the members of the society from a share system.

(i) It encourages thrift among the members. An agriculturist, specially after the harvest, can subscribe to a share, the share instalments being very small, and can gradually accumulate a small amount which he would not otherwise be able to do.

(ii) The share capital is not withdrawable so long as a person is a member of the society. Even after he ceases to be a member, the amount is not payable till after 2 years. The society is, therefore, not put to any hardship as happens in the case of deposits. Shares are a better source of working capital than deposits.

(iii) No interest has to be paid over the share contributions and a dividend is payable after 10 years only, if the profits permit. It ensures a better interest, on the part of the members, in the management of the affairs of the society. The better managed a society is the better are the chances of earning a good dividend year after year.

(iv) The accumulation of share capital increases the owned capital of the society and reduces the dependence of the society on outside capital. The less this dependence is, the greater are the possibilities of reduction in the rate of interest charged from the borrowers.

(v) The members also begin to feel that what they have borrowed is partly their own or neighbour's money. This makes them more careful of the working of the society in their own interest.

(vi) A good share capital increases the credit of the society. The more the share capital, the greater is the confidence of the outsiders. More deposits and loans can be obtained at a lower rate of interest.

(vii) A share system also acts as a buffer against unlimited liability. The liability is reduced by the amount of share contribution by a member.

Shares are heritable also; but the share money will be paid only to a person nominated by the member. Such nominations are recorded in the register of the society. Inheritance of a share, however, does not automatically make the successor a member of the society. Membership can only be acquired through election.

The share instalments must be paid on the dates fixed by the managing committee, and extension can only be given by the committee to individuals for sufficient reasons. Extension to members of the committee can be granted, only, with the previous sanction of the general meeting. Those in default of the shares lose their right of voting in the general meeting and the committee of management, and are not entitled to any loans.

The following table* shows the growth of the share capital.

Years	Share Capital Rs.	Years	Share Capital Rs.
1907-08	1,904	1934-35	2,346,202
1911-12	191,855	1935-36	2,367,666
1915-16	860,000	1936-37	2,403,082
1919-20	1,111,000	1937-38	2,489,863
1923-24	1,655,073	1938-39	2,627,697
1927-28	2,279,991	1939-40	2,802,747
1929-30	2,320,283	1940-41	2,967,106
1930-31	2,361,599	1941-42	3,176,000
1931-32	2,416,211	1942-43	3,382,000
1932-33	2,444,000	1943-44	3,616,000
1933-34	2,452,681		

Deposits. The avowed aims of cooperation are encouragement of thrift in its area of operation and displacement of usury by making the members independent of the moneylenders. All the requirements of the members should, so far as possible, be satisfied by the society. Since the share capital is not enough to meet the requirements, deposits are accepted by the societies. Deposits being the communal savings, the attempt of every rural society should be to finance itself by share capital and deposits. This was the view of the Maclagan Committee, also. In order to induce the members to deposit their savings in the society they recommended that a higher rate of interest may be allowed on deposits from members.

In the United Provinces an attempt was made to introduce compulsory deposits. But the principle was not satisfactory. It would be better if thrift could be encouraged as a voluntary action without any compulsion. Although members, in general, are poor and do not save much, at harvest time they have a little surplus

*Annual Reports of Cooperative Societies in U. P.

money which they can deposit in the society and withdraw when necessary.

Deposits are accepted both from members and non-members. The gentry and even the local moneylenders should be induced to deposit with the society. The cooperation of the moneylenders will be of immense advantage to the society. The moneylenders, generally, have an intimate knowledge of the persons of the locality. They are adepts in banking business which they have been carrying on as a hereditary profession, and their advice would be available to the society. The moneylenders would lose nothing. The loss due to a lower rate of interest will be more than counterbalanced by lesser risk involved in depositing with the society.

Of the various types of deposits, fixed deposits are encouraged the most. Loans have to be advanced for a comparatively longer period and fixed deposits alone can be used as working capital.

The growth of members' deposit can be seen from the following table.

	1908	1912	1918	1931	1932		
Members' deposit	65 lakhs	1.46	.71	1.2	1.3		
	1933	1934	1935	1936	1937	1938	1939
Members' deposits	1.6	1.8	1.9	2.1	2.45	2.8	3.2
	1940	1941	1942	1943	1944	1945	
Members' deposits	3.7	3.13	4.77	5.62	3.59	3.80	

The figures show that the confidence of the members in their own society has been growing. Various methods have been tried to increase members' deposits. From 1936 "some societies have introduced thrift policies under which a member paying Rs 2/- a year will be able to get Rs 50/- at the end of 15 years. In some others, compulsory deposits are taken in addition to share capital at the time of advance. There are others who credit a portion of the interest paid to the members' deposit account".

Loans. Even though members' deposits have been increasing the societies cannot raise all the fund they require from shares and deposits, and loans have to be borrowed.

Loans are borrowed from various sources : (a) Cooperative institutions, i.e., District, Central and Provincial Banks or Societies, (b) The Government and (c) Individuals.

Loans from Banking Unions and Central Banks. A greater portion of the money borrowed by the society comes from the Banking Unions and Central and District Banks. Loans can be taken up to eight times of the shares purchased by the society in the Banking Union.

Societies, borrowing from the central banks, have to hold shares in the central or District bank. The amount of shares is proportional to the borrowings at the time of application or according to normal needs, but a society cannot reduce the amount of shares when the borrowings decrease. The central bank generally fixes the normal credit of the society with reference to the requirements submitted by the society and how much the society can pay at each harvest. Within the normal credit fixed by the central banks loans can be advanced by the banks.

Since the growth of central banks in the Province societies interlend only occasionally.

A Provincial Bank was started in the U. P. only in December, 1944. What part it will play in providing finances to the cooperative movement cannot be ascertained but its main function will certainly be to balance cooperative finance in the Province.

Loans from the Government were received in the early days but this practice was not encouraged. State aid or, for the matter of that, any outside aid is foreign to cooperative ideals. In India financial assistance is, specially, dangerous as it is bound to leave an impression that the movement is a Government Department. It may be expected, under such circumstances, that Government officers would assist in the distribution and collection of loans. The society would not be regarded by people as their own. There would be no encouragement to thrift.

The societies borrow from individuals also.

The importance of the various sources from which loans are obtained can be judged from the following table.*

*Annual Reports of Cooperative societies in U. P.

Year	Loans from Coop Societies (lakhs)	Loans from Societies (lakhs)	Loans from individuals (lakhs)	Loans from Govt (lakhs)
1908	—	3.92	.97	81
1912	—	19.26	1.92	20
1916	34.82	31	1.79	.04
1920	25.79	04	1.18	.005
1924	43.04	06	.84	—
1928	52.26	04	1.02	—
1930	51.36	11	1.28	Rs 26
1931	51.34	20	1.28	.002
1932	45.93	20	1.32	.001
1933	42.01	22	1.43	Rs 44
1934	38.61	25	1.36	—
1935	36.95	29	1.56	—
1936	38.85	28	1.68	—
1937	38.98	29	1.82	.001
1938	40.78	25	1.51	—
1939	43.09	32	1.44	—
1940	41.74	42	1.39	—
1941	42.80	37	1.31	.02
1942	44.14	38	1.11	1
1943	36.21	43	.99	1
1944	34.66	38	.99	1

The society may receive deposits from members and other persons approved by the committee of management, provided the person lives or carries on business within five miles of the society. No loan can be borrowed from any source except a central bank without the special sanction of the Registrar.

Donations and contributions are rarely received and can be ignored as a source of working capital.

Reserve Fund Since agricultural credit societies have unlimited liability all the net profits of the society are credited to a Reserve Fund.

Unlike Raiffeisen Societies, however, a share system has been introduced in the U P. After ten years a certain percentage of the profits can be distributed as dividends, but the dividends should not exceed 10% of the paid up share value.

After ten years, out of the remainder, one-tenth may be applied, with the sanction of the Registrar, to some charitable purpose.

Overdue interest is not taken into account in determining profits to be distributed among members. Even after the dissolution of a society the funds cannot be distributed and can be used, only, for a common good purpose decided upon 'by' the Committee. In the absence of an agreement the amount is to be held in reserve and transferred to another society when one is started in that area.

The reserve fund is indivisible and belongs to the society as a whole. The fund becomes an important source of working capital only after some time. Accumulations in the fund grow with time and when there are enough funds a greater portion of the society's requirements can be obtained from the Reserve Fund. Whatever is taken out is considered as a loan and must be repaid punctually.

The Reserve Fund can be invested or deposited in the following ways: (i) in Government Saving Banks, (ii) in Trustee Securities, (iii) in Shares and Deposits in central or Provincial Bank, (iv) with a bank or person approved for this purpose by the Registrar of cooperative societies.

A strong Reserve Fund has many advantages.

(a) The reserve fund is the owned capital of the society* and neither interest nor dividend has to be paid over it.

(b) It increases the credit of the society, being a tangible security to the creditors.

(c) By the amount accumulated in the reserve fund, the dependence of the society on outside capital is reduced and rates of interest charged from the members can be decreased.

(d) It also acts as a buffer against unlimited liability, if the worst comes to the worst.

(e) It is an evidence of the strength of the society. If the society is not well managed profits will be small and the reserve fund will also be small. The very fact that there are large accumulations in the fund shows that the society is well managed.

The growth of the Reserve Fund can be seen from the following table.*

*Based on the figures from the Annual Reports of Cooperative Societies in U. P.

Year	Reserve Fund (in lakhs of Rs.)	Year	Reserve Fund (in lakhs of Rs.)
1908	0.22	1935	35.11
1912	1.18	1936	37.30
1916	4.00	1937	38.98
1920	9.01	1938	39.81
1924	13.40	1939	40.02
1928	20.42	1940	42.56
1930	22.94	1941	44.21
1931	26.88	1942	35.92
1932	28.64	1943	37.26
1933	30.98	1944	39.55
1934	33.10		

The amount belonging to the members themselves, individually or collectively, in the shape of shares, deposits and reserve and other funds is known as the owned capital of the society. It is very satisfactory to note that the owned capital of the agr. credit societies in the U. P. has been constantly increasing.

The owned capital was only 27.6% of the working capital in 1916 but it was as high as 60% in 1940, 73.1% in 1944 and 74% in 1945.

The reserve fund formed 27%, the shares 24%, and the loans from central banks 25%, of the total working capital of the societies in U. P. in 1940. The figures for 1944 were 30.3%, 27.7%, and 26.6%, respectively.

Loans and deposits accepted by a society cannot exceed the maximum liability fixed for the society by the general meeting.

The total working capital of the societies has progressed in the following manner *

* Figures based on annual report of Co-operative Societies in U. P.

Years	Working Capital (in lakhs of Rs.)	Year	Working Capital (in lakhs of Rs.)
1908	6.32	1935	99.30
1912	25.95	1986	103.98
1916	51.32	1937	106.83
1920	47.78	1938	110.05
1924	74.63	1939	115.30
1928	97.57	1940	118.16
1930	100.12	1941	122.87
1931	104.56	1942	128.12
1932	101.65	1943	125.09
1933	100.69	1944	130.19
1934	99.67	1945	142.97

N. B. Figures include working capital of limited liability societies also. Working capital of unlimited liability societies was Rs. 81.24 in 1944 and 82.64 in 1945. This fall was due to conversion of many such societies into village banks.

Loans to Members. The funds of a society are used for giving loans to the members only. Any member requiring a loan has to apply, in writing or verbally, to the committee of management stating the amount and the object of the loan.

The amount of the loan depends on three factors: (a) the amount available with the society for distribution among the members, (b) the normal credit requirement of the borrower and (c) the Haissiyat of the member which determines the maximum credit of the person.

The attempt of the society is, always, neither to underfinance nor overfinance the borrower.

The Haissiyat register is a very important document in an agricultural credit society. A page in the register is allotted to each member and all the assets and liabilities of the members and, also, the nature of title to land are recorded. The entries are revised every year to keep the register up-to-date and are, also, verified from different sources, e.g., Patwaris, Zamindars and other persons.

On the basis of these entries the maximum credit of every member is fixed by the general meeting. In fixing the maximum credit the following factors are taken into consideration: (a) the tenure of land; (b) the right of transfer, (c) the number of cattle owned, (d) property owned, (e) the annual income of the cultivator, (f) the liabilities and (g) the previous dealings of the members with the society.

The maximum credit so fixed can be revised only by the general meeting and the amount of loan, in no case, should exceed the maximum credit normally. In years of agricultural distress this rule can be relaxed but the previous sanction of the financing bank is necessary. Before a loan is granted within the maximum fixed by the meeting, the committee should carefully scrutinize the object, for which the loan has been asked for with reference to the Harkisat register.

Purpose of Loans In Raiffeisen Societies loans are given only for productive purposes. To limit advances only to such purposes in the United Provinces would have meant refusal to grant loans for purposes which though not productive are for social and religious reason unavoidable and necessary and forcing the agriculturists to seek the mercy of moneylenders. In these Provinces, therefore loans are advanced for any necessary and lawful purpose, preference being given to loans for productive purposes. Loans are, however not granted for extravagant or improper purposes.

(1) One of the objects for which a loan can be obtained from the society is the repayment of old debts. It is very desirable for a society to become the sole creditor of a member and free the cultivators from the usury of the moneylenders. In the earlier days of the society when capital is not plentiful and experience regarding the punctuality in repayment is not available, loans for this purpose should be discouraged. This business can be taken up gradually in later years but the society will have to be careful to see that the money advanced for this purpose is actually used for it. The same applies to loans for the payment of arrears of rent.

(2) Another object for which loans are freely advanced is the payment of rent. Payment of rent out of sums borrowed is permissible only if the loan has been advanced on the security of a member's produce and it is repaid out of the sale proceeds of the produce. Borrowing for payment of rents is, in other cases, not a proper object. Usually, rents should be paid out of produce of the year. In certain circumstances, e.g. when the crops fail, however, a loan for the payment of rent will be justifiable. It should always be borne in mind that loans for this purpose should be given only in special circumstances and should not become a common feature.

(3) Loans for sinking of wells, construction of embankments or purchase of an extra piece of land, also are permissible but should be advanced only after the current needs of the agriculturists have been satisfied.

(4) Litigation is another object for which the cultivators borrow. Since it is an unproductive expenditure such loans should be discouraged as far as possible.

(5) The above applies to loans for religious and social ceremonies as well. The cultivators of the Province are spending, for such objects, much beyond their means, and although due to a very strong public opinion the expenses cannot be avoided altogether, the societies should try to curtail them as much as they can.

(6) The most important object of the loans, however, is the current expenses of cultivation, i.e., seed, manure, ploughs, cattle, irrigation, etc.

The following table* shows the percentage of loans granted for different purposes.

	1922	1927	1932	1935	1942	1943	1944
I Productive	81.3	77.72	76.2	76.6	75.6	81.1	81.4
(a) Purchase of Cattle	34.4	35.0	20.3	18.2	23.4	23.2	22.0
(b) Seed, etc.	15.8	10.29	5.6	14.8	5.0	5.4	1.3
(c) Rent and Rev.	21.4	22.63	36.4	24.8	26.6	20.7	18.1
(d) Trade	9.7	9.8	13.9	14.8	20.6	31.4	37.0
II Un-productive	18.7	22.28	23.8	23.4	24.3	18.8	18.2
(e) Repayment of old debts	7.6	11.11	9.5	9.5	4.0	3.5	4.6
(f) Ceremonies, etc.	4.5	4.73	3.4	4.5	4.4	3.8	3.1
(g) Maintenance, etc.	6.6	6.44	10.9	9.4	15.9	11.5	10.5

The percentage of productive loans is, apparently, quite satisfactory but the Registrar of cooperative societies has mentioned, on more than one occasion, in the Annual Reports that the real purpose of the loan is not truly stated by the borrowers. The percentage on the purchase of cattle and fodder, for example, is high not because all the money is used for purchasing cattle but because a part of it is used for current agricultural needs. The real purpose is concealed so that it may be repaid in instalments spread over a longer period.

The Reserve Bank of India, in 1938, issued a circular to all provincial cooperative banks emphasising the necessity of strict separation of short-term loans and long-term loans, and pointing out that the proportion of long-term loans to short-term loans should

*Based on Annual Reports of Cooperative Societies in U. P.

not be very high. A short term loan was defined by them as one which is repayable within a year.

Period of Loan The period of loans varies with the purpose.

A productive loan should be repaid from the produce raised with its help. Loans for seeds and other cultivation expenses, payment of rents and maintenance are usually given for a period of 6 months to one year.

The period of loan for the purchase of cattle is 2 years and the amount of loan is recoverable in four six monthly instalments.

Loans for repayment of old debts are granted for a period of 2-3 years and are recovered by half yearly instalments.

Loans for marriages are either recovered in instalments or out of the 'Neota'. The usual period is 1-2 years.

Loans for other ceremonies and funerals are made for a period of one year.

Improvement of land or purchase of implements requires good investments but the advantages from them are spread over a long period. For such purposes, if loans are advanced by societies, the period of loan is generally 3-5 years.

Loans for other purposes are made for 1-2 years.

Repayment of Loans All loans taken from the society are repayable by instalments. The instalments are fixed according to the purpose of the loan taking into consideration the paying capacity of the borrowers, by the committee of management at the time the loan is advanced. In fixing time of the payment of instalments the committee keeps in view the convenience of the borrower, and the instalments are made to fall due when the cultivator is likely to be in funds i.e. after the harvest.

The society from the very beginning should enforce punctuality in repayments. The practice of granting extensions should, therefore, not become general and extension should be granted only in exceptional circumstances. Unfortunately this maximum is seldom practised by the societies in U P and the consequence is large overdues which, in many cases have led to the liquidation of societies. The members of the committees of management have hesitated to take action against their friends and been responsible for closing down societies. The position as regards overdues will be apparent from the following table*.

*Figures are from the Annual Reports of Cooperative Societies in U P

Year	Percentage of overdues to outstandings	Year	Percentage of overdues to outstandings
1912	9	1936	53.7
1916	39.2	1937	49.9
1920	38.8	1938	46.8
1924	32.1	1939	44.4
1928	41.0	1940	43.8
1930	46.7	1941	37.28
1931	65.0	1942	36.81
1932	70.8	1943	28.2
1933	68.9	1944	25.05
1934	67.6	1945	18.3
1935	63.3		

To enforce punctual payments a penal interest may be charged by the society unless the defaulter can prove that inability to pay was beyond his control. The committee of management must, also, ensure that repayments are real ones and not book adjustments. There is a tendency to do so in most of the societies in U. P. This tendency must be checked.

It is gratifying to see that the percentage of overdues has come down very considerably during the last five years. It reflects the general agricultural prosperity due to war reasons.

Security. Personal security is one of the chief characteristics of a cooperative institution. The acknowledgment of a loan takes, therefore, the form of a pronote. The character and industry of the borrower himself are considered to be the best security which can be offered by him.

In addition, two sureties are also required for all loans. Sureties are always persons approved by the managing committee and have to be members of the society. Although, under the Act, it is not necessary for the sureties to be members, the societies insist on their being members so that, in case of a dispute, the matter may be settled by arbitration. Those who stand sureties for a borrower are liable to the same extent for that debt as the borrower himself, and, if the borrower fails to pay back, the claims of the society are enforced against them.

Naturally persons whose dealings are unsatisfactory will not be acceptable as sureties. So that a person may not guarantee

loans beyond his means, he is not permitted to stand surety for more than three members.

In case a surety dies the borrower is called upon to provide another surety or refund the loan.

There are great advantages to the society from the surety system. Since the sureties themselves are liable, they take care to see that the amount and the purpose of the loan are proper. They, also, watch how the loan is being applied. If the loan is being misapplied or there is any intention, on the part of the borrower, to abscond, the sureties are expected to inform the society. Thus the system provides protection to the society against dishonest members.

To get the advantages it will be necessary to acquaint the sureties of all the responsibilities they are undertaking and to emphasise that sureties are not taken as a matter of formality.

In the case of loans for the repayment of old debts and other comparatively long term loans collateral security in the shape of house and land is, also, demanded at the option of the committee of management.

Utilisation of Loans The aim of the society being prevention of extravagant expenditure and promotion of thrift, to ensure application of loans to the purpose for which it has been taken is of the highest importance. In a small community, like a village an enquiry regarding utilisation is not very difficult. Different members of the committee should make separate inquiries.

What is of greater importance is to take necessary action if it is found that the loan is being misapplied. Unfortunately this duty is not being discharged satisfactorily by the members of the committees in the U. P. If a loan is found to be misapplied penalties should be imposed and if necessary, the loan should at once be recalled.

Rate of Interest The rate of interest paid on the loans taken by the society varies between 9 and 12%. Since 1938 the rate of interest has come down to 9%. The usual rate of interest paid on deposits ranges between 6 and 9%, according to the period of deposit.

The rate charged by the society in the earlier days was 12½%, but it was found when central banks were started that the banks were not in a position to advance loans to the society at a rate low

enough to permit the society to lend at $12\frac{1}{2}\%$. Hence the rate had to be raised. The usual rate of interest charged now is 15% . In societies that have accumulated owned capital to a considerable extent the rate of interest charged is gradually reduced.

Even the present rate of interest in societies is comparatively very low. The rate charged by the moneylenders is even today as high as $37\frac{1}{2}\%$.

The rate of interest in a cooperative society is always determined with reference to the rate the society has to pay over deposits and loans, its working expenses and the consideration that the rate should not be very low. If the rate is too low it will lead to excessive borrowing and the main object of cooperation i.e. encouragement of thrift will be defeated.

The rate of interest can be reduced if the societies reduce their expenses of management and members learn punctuality in repayments. Now that the Provincial Bank has been started money will be obtainable at a cheaper rate and the central and Distt. banks will be in a position to charge lower rates from the societies. It is expected, therefore, that in future a reduction in the rate will be possible.

The total amount of loans advanced and outstanding against members of societies can be seen from the following table.

Year	Loans Advanced (in lakhs of Rs.)	Loans Outstanding (in lakhs of Rs.)
1908	7.75	5.5
1912	29.0	24.0
1916	29.96	45.31
1920	29.84	38.41
1924	42.01	59.8
1928	41.60	77.49
1930	34.91	80.88
1931	22.5	82.48
1932	17.16	78.39
1933	19.39	75.78
1934	19.5	73.98
1935	23.12	71.91
1936	31.16	75.6
1937	32.24	75.91
1938	36.89	79.89
1939	38.62	84.03

Year	Loans Advanced (in lakhs of Rs)	Loans Outstanding (in lakhs of Rs)
1940	35 18	76 02
1941	29 67	66 00
1942	27 14	63 47
1943	26 26	53 19
1944	26 72	85 75
1945	31 79	96 33*

The following table† compiled by the U P. Banking Enquiry Committee shows that cooperative societies meet a small fraction of the total requirements of the cultivators

Agency	Amount Advanced Rs	Percentage of Total.
(i) Village moneylenders	456,479	5.1
(ii) Town moneylenders	2,503,871	28.3
(iii) Landlords	3,512,327	39.9
(iv) Tenants	1,210,349	13.7
(v) Government	189,764	2.0
(vi) Cooperative credit societies	472,808	5.3
(vii) Unclassified	501,578	5.7

Cooperative societies provide only 5.3% of the total requirement

The average loan per member of the society has been as under

1918	Rs 42.9	1941	Rs 45.3
1919	" 45.4	1942	" 44.5
1920	" 43.0	1943	" 38.8
1921	" 46.0	1944	" 38.8
1922	" 44.9	1945	" 41.0

The average per member in 1940 for Bombay was Rs 119, for C. P. and Berar 73, and for Punjab 118.7. It can be seen that the U P stands very low in this respect

*Based on Annual Reports of Cooperative Societies in U P

†U P Banking Enquiry Committee Report, p. 103

Administration. The supreme authority for the purposes of administration is the general meeting of all the members of a society.

The General Meeting. According to the by-laws it can be called by the Chairman (Surpunch), by two or more members of the committee of management or on a written request of at least 1/5th of the members. It will be better, however, that the meeting takes place every month at a fixed time and place, if for nothing else, to discuss the condition of crops and other things.

The quorum for a meeting is 1/2 the members, but for a meeting adjourned for want of a quorum 1/4th.

Apart from these meetings there must at least be one annual general meeting in July.

The annual general meeting lays down the policy to be followed by the society. Such an annual meeting should be attended by as large a number as possible and, also, by the organisers and other people interested in cooperation.

The annual general meeting elects the Chairman, the Committee of Management and the Treasurer. It considers the balance sheet and the annual report and determines the use of the reserve fund, dividends to be declared and the disposal of profits. Other important functions of the annual general meeting are fixation of the maximum liability of the society in the ensuing year, the maximum credit of every member, the amount which the Treasurer can keep with him for more than a fortnight, and the date on which the general meeting will be held every month. Any amendment of the by-laws can only be considered by the annual meeting.

Other general meetings consider the matters brought before it by the Chairman or the committee. All vacancies in the committee or the post of Treasurer and Chairman are filled by the general meeting. Proposals for the removal of the Chairman, a member of the committee, the Treasurer or the expulsions of any member must be considered by the meeting. It is also the duty of the meeting to discuss the proposals of the committee on the inspection and audit reports, of the Registrar or any official of the financing bank. Being the supreme authority in the society, it hears appeals against the orders of the committee and authorises the committee to ascertain and purchase the agricultural requirements of the members or to purchase approved implements and hire these out to the members. The forecasts prepared by the committee can be

modified by the meeting and they are also required to verify the cash balances with the Treasurer.

So that the society may function satisfactorily it is necessary that the meetings are held regularly and are well attended.

Committee of Management. The general meeting is too unwieldy a body to look after the day-to-day administration of the society. That is the function of the committee of management (Panchayat).

According to the by-laws the committee shall consist of 3, 5, 7 or 9 members. In practice, however, there are usually 5 members in the committee including the Chairman and the Treasurer, if any. Any member can attend a meeting of the committee but only members of the committee have a right to vote. The members of the committee have only one vote and all matters are decided by a majority. Voting by proxy is not allowed.

Functions. The committee transacts all business on behalf of the society.

(a) It accepts deposits and raises loans within the limits laid down by the general meeting and repays them. (b) The rate of interest charged from the members are fixed by it. (c) Loans are granted to the members, within the limits fixed by the general meeting, by the committee. (d) Sureties are accepted or rejected and the instalments for loans fixed by it. (e) Admissions, resignations and expulsion of members have to be recommended. (f) The committee is, also, responsible for seeing that the loans are punctually repaid and utilised for the purpose for which they are borrowed. Extensions can be granted if considered necessary and penal interest can also be charged on overdue loans or the loans recalled. (g) The committee has to prepare the annual accounts for audit, the annual report and the balance sheet and to submit the same to the general meeting. (h) Action is proposed on the Inspection and audit notes of the Registrar. (i) Any suits on behalf of the society are instituted and defended by the committee. (j) The officials of the society are directly under the control of the committee and can be appointed, suspended and dismissed by it. (k) They also recommend to the general meeting the rate of dividend to be declared. (l) The most important function of the committee is to prepare a forecast showing: (i) the probable realizations during the next 3 months, (ii) the loans required by the members during the same period, (iii) the probable withdrawals

of local deposits and (iv) the probable repayment of loans to the central bank and the amount that will be required from it. This forecast has to be placed before the general meeting and submitted to the bank by the due date.

The committee of management should, however, function as a committee and the work should not be left to either the Chairman or any other member of the committee. In the societies in U. P. there is a tendency to do so. These have hampered the growth considerably.

The Secretary. Every society has a Secretary appointed by the committee as its chief executive officer.

The Secretary summons and attends general meetings and committee of management and records their proceedings. All accounts and books have to be kept up-to-date by him. He prepares: (a) a statement of income and expenditure, (b) a statement of assets and liabilities and (c) any other statements required. The daily administration of the society has to be carried on by him.

The best thing for the society will be to persuade a literate member to take up this work honorarily. But if literate members are not available for this purpose, a literate non-member may be appointed on a small remuneration.

In the past due to the paucity of suitable men a system of group secretary was introduced under which a *munsifi* was appointed to act as a secretary to 10 or 12 societies within a certain radius. He was paid Rs. 12 to Rs. 20/- per month out of a 'Secretary's Fund' to which every society contributed a small amount annually. Since group secretaries are not members of the society they are not permitted to handle money. The duties of the group secretary are carefully laid down.

Although he is a servant of the society, experience has shown that he becomes the master of the society. Being the only literate person in the society, he wields great powers even over the committee of management. The evils of the system were soon recognised and the present policy is, therefore, to replace group secretaries by member secretaries or teacher secretaries. The removal has to be wholesale in an area, for if group secretaries are permitted to remain in a society adjoining another where a member secretary is working, they invariably corrupt him. The replacement of group secretaries by member secretaries was one of the recommendations of the Oakden Committee. In 1926-27

the first step was taken towards this in the Pantabgarh District by appointing teachers of the Primary Schools as secretaries. The next year a three years' programme was framed and supervisors were deputed to train members. For a few years, for want of suitable men, the supervisors had to maintain accounts in some of the societies. With the Government of India grant for education the training of members was speeded up after 1936. The process of elimination has proceeded steadily as can be seen from the following figures*.

	No. of Societies.				
Year	1930	1931	1932	1933	1934
member secretary	1200	1700	1240	1137	1289
Year	1935	1936	1937	1938	1939
member secretary	1321	2357	2884	3151	3641
Year	1940	1941			
member secretary	4205	4362			

Treasurer. If a Treasurer is elected by the general meeting he takes charge of all the money coming in or going out of the society. In the absence of a Treasurer the duties are carried out by the Chairman.

Arbitration. In case of a dispute between the society and its members or sureties, the matter is settled by arbitration. Under the Act, such disputes cannot be taken to a court of law. The society applies to the Registrar for arbitration and he appoints arbitrators. The arbitrators go through the records and examine witnesses. They, then, give their award. If the member refuses to abide by the award it can be enforced either through a civil court or the Collector.

Liquidation. If the society does not work well and the members persistently mismanage affairs, the Registrar has the power to cancel registration and liquidate the society.

Since liquidation is a very drastic step and shakes the confidence of the people in the movement it should be resorted to when all other attempts to set the matters right have failed. But where liquidation is necessary there should be no hesitation in adopting this measure. For the safety of the money invested in the

* Figures based on Annual Report of Cooperative Societies in U. P.

movement by outsiders and preventing the practice of default from becoming general, sometimes, it becomes necessary to close the society. A few strong societies are much better for the movement than a large number of indifferent societies. In the beginning, for some time, in the U. P., the Department was reluctant to carry out liquidation, and it had a very bad effect on the movement. Later on, however, the necessity of liquidating hopeless societies was recognised and many of them were scrapped.

When liquidation becomes necessary, after cancelling the registration, a liquidator is appointed by the Registrar. He has to recover all that is due to the society, so far as possible, and in this matter the help of the Collector and the courts is available to him. Out of the recoveries the liabilities must be paid off, the money due to outsiders being the first charge on the recoveries. If necessary, to discharge the liabilities, unlimited liability may be enforced. In case something is left over it can be used for some work of public utility in the village.

Progress. The credit movement has been working in the rural areas for the last 41 years. In 1945, however, there were only 9,732 agricultural credit societies in the Province. The U. P. have as many as 102,388 villages. Thus the credit movement has reached only 9.5% of the villages. The membership of the societies being 229,600, the movement has affected only .47% of the total rural population and .9% of the total male rural population of the Province. In Bombay the cooperative credit movement has reached 17.0% of the villages and in the Punjab 50%. It has affected in the Bombay Presidency 7% of the rural population.

Even where cooperative credit societies have been working the average indebtedness of a member to the society is not more than Rs. 41/-. The Banking Enquiry Committee estimated that the debt, per debtor, among the peasants with the smallest holdings was Rs. 106. The indebtedness increased, however, with the increase in the size of holdings. Considering the average debt per debtor among the small cultivators and the average indebtedness of the members of the society to the society, it is obvious that cooperative credit societies have failed to free the cultivators from the clutches of the moneylenders. In spite of the credit societies working in the villages the members have to depend on outside agencies for a major portion of their credit requirements. No wonder, then,

NB. Figures based on census of 1941 data and Annual Reports Cooperative Department. The figures include, as regards membership, village banks also.

that cooperative credit has not been able to displace usury and make the cultivators solvent. As pointed out elsewhere cooperative society provides only 5 3/4% of the total requirements.

Comparison with other Provinces It will be interesting to know how the agricultural credit movement has been working in some of the other provinces of India. The following table* gives the comparative results.

Province	Societies	No. of members (lakhs)	W. C. (lakhs)
Bengal	34,228	7.70	626.73
Bombay	3,700	1.93	478.3
Madras	11,041	5.97	478.3
Punjab	19,816	7.04	660.46
U P	8,123	1.94	122.86

The table shows that, of all the major provinces in India, the development of cooperation has been the slowest in the Province. With the exception of Bengal the other provinces are much less thickly populated than the U P, but the membership of the societies is everywhere more. The same is the case with the working capital.

Audit Classification The Audit classification of the societies is the best index of the soundness of the movement. But even this shows a depressing state of affairs. In 1935-36 A and B class societies were negligible. Most of the societies were in classes C, D, E. Recently some improvement has taken place but the conditions are still far from satisfactory.

Factors retarding growth. Many factors have been responsible for retarding the growth of a movement so full of promise. Some of these factors are internal and some external.

(a) The success of the credit movement depends on a full understanding of the principles of cooperation. Unfortunately due to the illiteracy and ignorance of the masses cooperative education of the members of the society is very faulty.

(b) A natural outcome of the faulty cooperative education is that the members of the society do not realise their responsibilities and the general meetings and the committees of management do not

*Year Book and Directory Indian Cooperation. Figures for the year 1940.

discharge their duties properly. A few individuals dominate the society and seek self-aggrandisement.

(c) Unlimited liability, which is compulsory in agricultural credit societies, is another bugbear which keeps well-to-do members of the rural community away from the cooperative society. The much needed capital, thus, cannot be obtained easily.

(d) A credit society being a competitor of the well-to-do landlords, tenants and the mahajans, has to face opposition from a very powerful section of the village community.

(e) A society cannot, therefore, satisfy all the credit requirements of the members. Even the members are forced to borrow from moneylenders. Being indebted to them, the other creditors force the cultivators to satisfy their claims first. The claims of the society, in many cases, remain unsatisfied, leading to large overdues.

(f) As compared to the moneylenders, the cooperative societies are not very prompt in advancing loans to the members. Many formalities have to be gone through before money is actually received, and there are too many searching enquiries made by the society which are not liked by the members. A moneylender, although he charges high rates and is not fair in his dealings, does not ask inconvenient questions and advances the amount required very promptly. Even members of societies, therefore, prefer dealing with the moneylenders to taking loans from the society.

(g) Supervision of the societies has also been very defective. Mistakes have not been promptly detected and promptly rectified.

(h) The tendency has been to give too long a rope to very indifferent societies. Both the society and the Department have been very reluctant to take proceedings against even a hopeless society, and the confidence of the public is thus shaken.

(i) Selection of the members on the basis of character, so essential to the success of the society, is seldom practised, leading to the inclusion of undesirable men in the society.

(j) Little attention is paid to how the loan is being applied.

(k) The Government assistance to the movement has, also, been hopelessly inadequate. Sufficient funds have not been provided by the Government for the Cooperative Department.

(l) But the most important drawback has been the lack of non-official interest in the movement. Initiative from the Cooperative Department is naturally construed as Government initiative, and under such conditions self-help and self-dependence cannot be learnt by

the people. Cooperation, being a people's movement, must be the result of non-official initiative and interest. Unfortunately this has been very scarce in the U. P., specially in the rural areas.

Suggestions to strengthen the movement. A proper organisation of the societies is a 'sin qua non' of their success. Before a society is started for credit purposes there should be a complete appreciation of the principles of cooperation among the would-be members of the society. It would be better to start a better living society in an area, to start with. The work of such a society is simple and involves no considerable finances, but gives an opportunity to the members to learn the principles of cooperation and to practise them. It is only when it is found that cooperative education is adequate and satisfactory that a credit society should be brought into existence. Intensive propaganda, even after the society has been started, will be necessary and should be carried on for some time. Such societies will have better chances of success. Their success will attract more capital and men to co-operative societies and the societies will be in a better position to meet the requirements of the members and reduce and ultimately eliminate the dependence of the members on outside credit agencies.

Unlimited liability, in spite of its advantage, has to go from the agricultural credit societies. If the well-to-do members of the village community have to be brought within the cooperative fold, to increase the supply of capital, the provisions of the Act regarding liability in agricultural credit societies must be amended. Although there are numerous safeguards against unlimited liability they are not properly appreciated by the rural population, and an option should be given to the members of the society to choose limited or unlimited liability. Of late the retarding effects of unlimited liability have been realised in the Province, and many of the unlimited liability societies have been converted into 'multi-purposes societies' known as the Village Banks. These banks will be dealt with at another place. It may, however, be pointed out that village banks are by no means a proper remedy. Under the present conditions of literacy in the rural areas it is too much to expect that the banks will function properly and bring strength to the movement.

Ofcourse a widespread literacy movement is, above all, necessary to remove many an evil in the movement. With increased literacy the problems will be better understood, a sense of responsibility will develop, the habit of punctuality will be acquired and

there will be a keener interest evinced by the members in their society. It will be difficult for a few individuals to dominate the society and ignore the interests of the members in general. At present literacy is defined as the ability to read and write one's name. That is not the standard to be aimed at. The aim of the literacy campaign should be education up to the primary stage. Free compulsory education must be introduced, as soon as possible, in the rural areas. No doubt, it would involve the state in huge expenditure, but it is one of the primary duties of the state, and merely on the grounds of lack of funds should not be postponed.

The Cooperative Department also should not be over indulgent to recalcitrant societies. If they find that their advice is constantly ignored and the society continues to be mismanaged, action must be swift and drastic. Such societies must be scrapped without compunction. Prompt action by the Department will have a salutary effect and save many a society from dissolution.

A careful supervision over the society is also a necessity. Some steps have already been taken to improve it, but the number of supervisors and their training is inadequate. In most cases the work is done in a perfunctory manner. It is suggested that not only their training should be improved, their emoluments should also be increased in order to attract a better class of person. Steps should, also, be taken to induce them to take better interest in the societies under their charge. This can be done by offering prizes and cash bonuses to a few most efficient supervisors in the district and the division.

The disposal of the application for loans should be quick in order to avoid delays. For this purpose the meetings of the committee of management should be frequently held. The necessary enquiries can be easily made by the committee and there is no reason why the disposal should take more than 2 or 3 days.

Interest in cooperation should be aroused in the people, in general, by means of popular lectures on cooperation, cooperative conferences and exhibitions. Cooperation should also be introduced as a course of study in the rural schools in the Province. A detailed knowledge of cooperation is not necessary, but the students should be familiar with the elementary principles in simple language.

Since, in India, the movement is guided by the Cooperative Department, the officers of the Department should be carefully chosen and a detailed knowledge of cooperative principles and practices should be a necessary qualification for such appointments. Continuous training of the officials, in batches, must be undertaken

by the Department to keep their officers up-to-date, and special courses should be run at different places which should be open to the members of the societies. The secretaries and the members of the committee of management should be persuaded to take such courses.

If these measures are adopted, there is no reason why the movement in the Province should not be able to include a very large percentage of rural population within its fold and provide all the finances which are needed by the members of the societies.

CHAPTER VI

VILLAGE BANKS

In the previous chapter it was pointed out that one of the important causes of the retarded growth of the credit movement in the rural areas was unlimited liability. This fact was recognised by the Department and, in 1939, the policy of starting 'multi-purposes society' known as the village bank with limited liability was adopted.

Since 1940 very few unlimited liability societies have been organised, and many of the old unlimited liability societies have been converted into village banks. The process of conversion still continues.

Objects. The objects of a village bank are very ambitious. All possible activities are to be undertaken, and the village banks are intended to tack on to credit, marketing, supply of agricultural requisites and better-living activities.

The objects of the village banks according to the model by-laws are:

(i) To create unity, self-help and mutual help among the members.

(ii) To foster among the members the habit of doing their work honestly, punctually and methodically.

(iii) To serve as the savings bank of the members.

(iv) To inculcate habits of thrift and economy among the members and prevent waste.

(v) To reform social customs.

(vi) To stop frivolous and unnecessary litigation among members and arrange, as far as possible, for the settlement of disputes locally.

(vii) To arrange for the education of members and their children.

(viii) To make life of members more pleasant and healthy.

(ix) To improve the health, sanitation, housing conditions and communications in the village.

(x) To combat epidemic diseases and provide medical assistance for commoner ailments

(xi) To induce members to adopt improved methods of cultivation by supplying good seed, improved agricultural implements, useful manures, adequate irrigational facilities and labour saving devices

(xii) To try to improve the breed and the condition of the cattle of the members

(xiii) To improve cottage industries

(xiv) To raise necessary capital for the bank at reasonable rates and replace the same gradually by its owned capital.

(xv) To make advances to members (in cash or kind) preferably for productive objects

(xvi) To relieve members from the debts of the moneylenders

(xvii) To make the members fit to discharge their legal liabilities, e.g., payment of rent and revenue more easily

(xviii) To afford facilities to the members for the grading and transport of their produce.

(xix) To purchase the produce of members and arrange for its joint sale or arrange for the collective sale of the produce of members

(xx) To advance money to members on the pledge of their produce

(xxi) To stock the produce of the members and arrange for its sale on commission.

(xxii) To establish commercial agencies for the disposal of the produce of members

(xxiii) To assist the members in obtaining the necessities of life at reasonable rates

(xxiv) To do all the things that may be incidental and conducive to the attainment of any or all of the aforesaid objects.*

Area of operation The area of operation of a village bank is a village.

Membership There are three classes of members—Class 'A' includes members joining the bank for all its objects Class 'B'

*Model by-laws of a village bank.

consists of members joining for marketing and better-living and class 'C' of those joining for better-living activities only.

Any person who is above the age of 18, of good character, and sound mind and lives and carries on trade or business of a permanent nature or cultivates or owns land in the village will be entitled to membership.

Every member before admission undertakes to be bound by the by-laws. They, also, agree to observe special rules passed by 2/3rd majority, and undertake liability to a fine not exceeding Rs. 100/- in the event of a breach.

All members have to contribute annually a sum, not exceeding Re. 1/-, fixed by the general meeting. Other contributions can be levied for special purposes in cash, kind or labour. No member can exercise his rights unless he has paid annual subscription for the 1st year and, in the case of members of classes 'A' and 'B', has purchased a share of Rs. 20/-. Members of classes 'A' and 'B' have to submit a true statement of their assets and liabilities.

Any member who ceases to be qualified under the by-laws ceases to be a member and he can withdraw from the society after a month's notice, provided he does not owe to the Bank or is a surety.

Expulsions of 'A' and 'B' class members can take place for failure to pay the dues, for misapplication of loans, for borrowing from outside and for disloyalty to the society in matters of sale and purchase. A 'C' class member is expelled for non-observance of rules and regulations and for failure to pay the contribution.

Liability. The liability of the members for the debts of the society is four times the nominal value of shares held in the case of 'A' class members, the nominal value of shares in the case of class 'B' and Rs. 5/- in the case of class 'C'.

Funds. The funds of the society come from (i) annual contributions, (ii) special contributions, (iii) share capital, (iv) loans and deposits, (v) subsidies and donations, and (vi) reserve fund and profits.

Annual contribution, as already pointed out, is not more than Re. 1/-. Special contributions are levied for special purposes.

Most of the money comes from shares of Rs. 20/-, payable in 20 half-yearly instalments of Re. 1/-/- . No premium is charged and no shares can be allotted to minors. A member is not

permitted to hold shares in excess of $1/5$ th of the total number and Rs 1000/ in value. Shares are issued to only 'A' and 'B' class members. Share instalments have to be paid regularly. Members of 'A' and 'B' classes have to hold at least one share and as many more as determined by the committee on the basis of status. Class 'A' members hold one share for every normal credit of Rs 50/ /, and every member of class 'B' one share for every Rs 100/ / of the value of crop dealt with through the bank.

Shares cannot be transferred before one year and can be transferred, even then, only to a member approved by the society.

Deposits and Loans Fixed deposits can be received from members and approved non members, living within 3 miles of the Bank, the rate of interest being fixed by the general meeting not exceeding 7%.

Transfer entries of the the portion of interest, realised during the year, to be credited to the savings of members shall be made in the accounts of members at the close of the year on the 30th June, every year. Savings carry interest at a rate fixed by the meeting not exceeding 9%. The interest is calculated on the minimum balances during the last six months on 1st April and 1st October.

Saving deposits can be withdrawn subject to a minimum balance, decided by the meeting, which will not be less than Re 1/- . A notice of 14 days is also necessary. Withdrawals are permitted during sickness, famine and other unforeseen calamities.

Loans cannot be borrowed except from the central bank without the sanction of the Registrar.

Reserve Funds and Profits One third of the net profits goes to the Reserve Fund. The rest of the profits can be distributed as follows: (i) For declaring dividend at not more than $7\frac{1}{2}$ % on the paid up share capital, (ii) for contribution to charitable purposes, (iii) for bonus on non-credit dealings of members, (iv) for increasing the Reserve Fund or other funds and (v) for being carried over to next year's profits.

The reserve fund is indivisible.

Loans to Members The funds are used for granting loans for necessary and lawful purposes, preference being given to productive purposes.

Loans are given on the basis of the amount realizable from the sale of crop the member markets through the bank. But a larger normal credit may be allowed to 'A' class members according to their 'Haissiyat' and paying capacity. For unproductive purposes only 1/4th of the normal credit can be advanced, but for productive purposes this percentage can be exceeded.

Security. For every loan a pronote of the borrower is necessary and, if the committee thinks it essential, a mortgage of property may be demanded as collateral security. In addition, two sureties are required. The sureties, generally, should be members, but in special cases non-members, with the sanction of the Assistant Registrar, may also be accepted as sureties.

The loans are generally granted for specific objects and must be applied to the same, otherwise they are recalled.

Period of loans. The period of loans varies with the object. Loans for cultivation and trade purposes are recovered with reference to the season and the time of sale of the produce. These are expected to be paid off out of the produce. The rate of interest on the loans is fixed, with the approval of the Assistant Registrar, not exceeding 15%. At least 4/5 of this is credited to interest and the rest can, with the approval of the Assistant Registrar, be credited to the savings of the members.

Out of the portion credited to interest a rebate may be allowed to members who have been punctual.

Extensions are given only for special reasons and then, too, with the approval of the sureties.

Penal interest may be charged from the defaulters but the total interest charge should not exceed 3 pies in the rupee per mensem.

Marketing. Marketing of agricultural produce of the members is arranged in any or all of the following ways. How the produce is to be disposed of is to be decided by the general meeting.

The bank may purchase the produce outright and after processing it sell it. The members get the price and are not responsible for profit or loss.

Another alternative is to sell the produce under commission sale system. The sale is by sample and the price of the produce is paid to the members minus a small commission.

The third method is the pledge system. The produce is kept in the godowns of the bank, and 75% of the value is advanced to

the members. The advance is repaid within six months but it can be extended. If the price falls 10²/₁₀ below the price at the time of pledge further security may be demanded or the loan recalled. In case of failure to do either the bank can sell the produce after due notice.

Administration General Meeting The general meeting is the supreme authority. Apart from the other function common to general meetings, in an agricultural credit society the general meeting in a village bank fixes the limit upto which a 'B' class member shall be allowed to participate in marketing transactions. It prepares a scheme of improvements for the year. Enquiries are, also, made into the condition of standing crops, and the quantity of produce the bank will be called upon to dispose of is estimated. Regulations are framed for the purchase of agricultural produce of the members and supply of necessities of life and agricultural requisites. Annual and special contributions are assessed by the bank. The general meeting has the power, too, to impose a fine not exceeding /8/ for absence from a general meeting without sufficient cause.

Committee of Management The committee consists of 5, 7 or 9 members including the Treasurer and the Chairman. At least one member should be elected from each class of members. Members of 'C' class will vote, however, only on questions concerning better living activities.

All members enjoy only one vote and no proxies are permitted.

In addition to the functions of a committee in the agricultural credit societies the committee, in a village bank decides the number of shares each member of 'A' or 'B' class is to hold. The committee has to induce reliable people to join the bank. Area sown under the crops to be marketed through the bank has to be estimated and the condition of crop inquired into. Arrangements for processing and grading of the produce have to be made and arrangements for purchase of agricultural requisites also undertaken. A limit is fixed beyond which no member is allowed to spend on religious and other ceremonies. The committee guides the village people in all efforts for physical, moral, social and material improvements.

Secretary The Secretary is appointed by the committee and is the chief officer of the bank.

Arbitration All disputes between members regarding the business of the society are decided by the committee and an appeal

lies to the general meeting. Such disputes cannot be taken to a court of law without the sanction of the bank.

Liquidation. Liquidation can take place only by an order of the Registrar.

Progress. Only 'A' and 'C' class of older unlimited liability agricultural credit societies were taken up for conversion into village banks in 1940.

The progress of the banks is clear from the following table*.

Years	No. of Banks	No. of Members (lakhs)	Working Capital (lakhs)
1939-40	961	·24	9·9
1940-41	2,214	·57	28·5
1941-42	3,021	·77	36·68
1942-43	3,697	·90	41·74
1943-44	4,308	1·01	48·45
1944-45	4,945	1·15	60·33

The average membership per village bank was 24·5 in 1940, 25·9 in 1941, 25·5 in 1942, 24·4 in 1943 and 23·3 in 1944.

The position as regards deposits from the members was as follows: in 1941 the total deposits from members held by the banks in the Province amounted to 13·41 lakhs. In 1942 the deposits made by the members amounted to Rs. 1·65 lakhs, in 1943, 2·21 lakhs, in 1944, 2·93 lakhs and in 1945, 3·61 lakhs.

The owned capital of the banks amounted to 15·78 lakhs in 1941, 19·67 lakhs in 1942, 23·61 lakhs in 1943, 27·82 lakhs in 1944 and 31·97 lakhs in 1945. The percentages of the owned to working capital work out at 55·3, 53·12, 56·6, 57·4 and 53 respectively for these years.

The owned capital was made up as follows:

	Share Capital	Reserve Fund	Other Funds	Owned Capital
1940-41	6·61	6·97	2·19	15·77
1941-42	8·59	8·45	2·63	19·67
1942-43	10·60	9·92	3·09	23·61
1943-44	12·77	11·42	3·63	27·82

*Table based on Annual Reports of Cooperative Societies in U. P.

The best index of the business transacted by the banks is the amount advanced to the members. In 1941 Rs 17.17 lakhs were advanced to the members; the figures for the next four years being 21.4, 25.38, 28.81, and 39 lakhs respectively. As against the advances, the recoveries were 13.59, 16.58, 24.17, 26.33 and 29.93 lakhs leaving as outstanding 21.81, 28.81, 31.39, 33.80, and 44.79 lakhs for the same years.

Overdues including postponement stood at 3.14 lakhs in 1941, 4.97 lakhs in 1942, 2.93 lakhs in 1943, 4.05 lakhs in 1944 and 3.86 lakhs in 1945.

An idea of non-credit business done by the village banks can be had from the following table *

Year	Payment for purchase of members' produce	Sale of goods to members
1940-41	93 lakhs	1.39 lakhs
1941-42	94 "	1.33 "
1942-43	1.78 "	2.07 "
1943-44	3.81 "	4.40 "

It is evident from the table that the only non-credit business undertaken by the village banks has been the disposal of agricultural produce and purchase of members' requirements. The total business transacted in this respect is, however, a very small one. In spite of the long list of objects which the banks have set before them the most important business of the village bank has been the supply of credit to the members.

When the banks were started the expectation was that they will become village republics and a centre of all activities—financial, social, economic and even educational. So far this has not happened. How far the scheme will be successful is very difficult to say. The village banks have been working as such, only for the last 5 years and that, too, under abnormal conditions brought about by the last war. Due to controls both marketing and purchase of agricultural requisites and necessities have not been normal, and it was only natural that credit transactions should have been the dominating feature of the village banks.

*Table based on figures from the Annual Reports of Cooperative societies in U. P.

Even, ultimately, when the normal conditions return whether the village banks would be able to achieve the objects is more than doubtful.

The activities of a village bank are so many that even if a few are undertaken the business of the bank will not be a simple one. Under the present conditions of literacy in the rural areas the committees of the banks, consisting, as they do, of the village people will, for some time to come, not be competent to cope with the business of the village bank.

There is a danger that the power will fall into the hands of a few individuals and a proper check from the committee or the general meeting will not be possible due to inability, on the part of the members, to have a grip over the situation even if they want to do so.

Until, therefore, there is a successful drive for mass literacy and a better appreciation of the principles of cooperation can it be expected that the village banks will be able to achieve even a moderate measure of success.

Under the circumstances it seems desirable that the older type of agricultural credit society with a change in liability should be maintained, and for other purposes a multi-purposes society can be organised, in the villages, to work side by side with the credit societies.

CHAPTER VII

PRIMARY NON-AGRICULTURAL CREDIT SOCIETIES

The need. A great demand for credit is no peculiarity of rural population only. In urban areas, also, a greater percentage of population needs credit as urgently, if not more.

A major portion of urban population consists of petty employees of the Government, semi public bodies and firms, traders, artisans, shopkeepers and in the industrial towns the labourers of the factories and workshops. The cost of living in the towns being comparatively higher, none of these classes can save much. These classes generally lead a hand-to-mouth existence. They need credit for marriages, social and religious functions, doctors' bill in case of a protracted illness in the family and sometime for maintenance also. Labourers have to live on credit during the period of their idleness and traders require loans for trade purposes.

No doubt, in the towns better banking facilities are available but the objects of loans are such that commercial banks are unable to help them. Even productive loans for trade purposes do not suit the banks. For these people, therefore, there is no alternative but to approach the moneylenders for credit. Urban classes, however, do not possess even land which can be offered as a security and, therefore, have to pay exorbitant rates of interest. So far, therefore, as indebtedness is concerned the lot of a major portion of the urban population is much worse as compared to the rural population.

These facts were recognised when cooperation was introduced in the U. P., and simultaneous with rural credit societies non-agricultural credit societies were started in the Province. Cooperative urban credit has been a prominent feature of the movement since its inception. 'The urban banks that were started to finance the movement did not leave the small man in the town out of their ambit. With their operation spread over large areas and their scattered members grouped into what were then known as affiliated societies, we had several of them formed for artisans and petty traders and shopkeepers of the town. These were later on converted into separate societies, with affiliation to the district or central banks into which the old urban banks were converted.*'

* Year Book and Directory of Indian Cooperation, 1942. p. 522.

Types of society. There are three distinct classes of urban population: (a) the employees or salary earners, (b) artisans, traders and shopkeepers and (c) labourers. Conditions among these three classes are quite different and a uniform type of credit society will not be suitable for all. There are two important types of urban credit societies catering to the needs of the first two classes: (i) Employees' or Salary Earners' Societies, and (ii) Societies of Artisans and Traders. No attempt has, so far, been made to provide credit facilities for the factory labourers.

Within two years of the passing of the Act of 1904 Benares Silk Weavers' Association was started to finance the silk weavers. A cooperative society was organised, in 1906, for the office clerks in the Collector's office at Mainpuri. 1907 saw the organisation of a society for artisans and traders at Rae Bareilly and in 1910 the 'Swadeshi Cooperative Society' was started at Cawnpore to provide banking facilities to businessmen. These societies have been organised on a local and vocational basis. Membership of the society is open, generally, to persons of the same trade or occupation, living in the same mohalla or town or working in the same office, department or mill.

The societies are modelled on the Schulze system with modifications suiting the local conditions.

Employees' and the Salary Earners' Society. In 1944 there were 401 non-agricultural credit societies having limited liability in U. P. Of these 311 were salary earners' societies. Among the salary earners' societies there are a few, like the Agra Telegraph Society, the Postal Employees' Society of Lucknow, the O. R. Ry. Employees' Society, which have a very wide area of operation and cover the entire Province. The number of employees' and salary earners' societies has been increasing steadily.

In 1910 there were only 5 clerks' societies but in 1920 the number had risen to 15, in 1930 to 64, in 1940 to 203 and in 1944 to 311. The salary earners' societies now extend over the different departments of the Government, District and Municipal Boards and some other offices. There are, for example, societies for the police force, for the employees of the Civil Accounts Department and the Civil Secretariat and the employees of the various courts.

Objects. The objects of the salary earners' societies are (a) to create unity and develop the spirit of mutual and self-help among the members, (b) to foster among the members the habit of doing

the work honestly, punctually and methodically, (c) to provide suitable avenues for investment of funds to its members, (d) to raise funds for granting loans to its members for domestic, religious and social needs on reasonable rates of interest, (e) to encourage thrift among members by inducing them to lay by regularly a fixed sum as a provision for old age, illness, premature retirement, sudden death or other unforeseen requirements and (f) to endeavour to improve moral, social and economic conditions of its members and generally to do all such other things as are incidental or conducive to the attainment of any or all of the aforesaid objects*

Liability The liability in a salary earners' society is generally limited to the value of the shares held by the members, some salary earners' societies have unlimited liability also but their number is very small

Membership Membership of the society is open to all employees, permanent or officiating, of the department, office or firm for which the society is started. Persons have to be elected to membership. Before being admitted to membership an entrance fee of Rs 1/8 has to be paid and a declaration has to be signed to the effect that the person will be bound by the existing bye laws or any legal modifications, there in, later

Expulsion and cessation of membership take place for the same reasons as in the case of agricultural credit societies. In the case of a salary earners' societies it is further provided that if an employee is transferred to another department or district or resigns or is removed from service membership will automatically terminate. A member has to undertake not to resign from service so long as he is indebted to the society or is a surety for an undischarged loan.

Funds. The funds are obtained from (a) admission fees, (b) shares, (c) deposits (d) donations, (e) loans, (f) reserve and other funds and (g) profits

Shares The main source of capital, however, is the share system. The value of the share is generally Rs. 10, payable in instalments. No member is permitted to hold more than 15th of the share capital or shares of the value of more than Rs 1,000. If an instalment, due in respect of share, is not paid within 3 months

the amount already paid is forfeited, but within 6 months of the notice of forfeitures the shares can be renewed on payment of the arrears and a renewal fee of -/8/- per share.

The shares are not transferable except to those who are eligible for membership and approved by the committee. The members desirous of doing so should inform the society and it will try to help them.

The share money cannot be withdrawn in case of resignation, removal or death till all the claims of the society against such members are satisfied and the time limit under the Act is over.

A considerable portion of the society's requirements can be satisfied with the share capital.

Deposits and Loans. For additional capital, if required, deposits and loans can be raised. The general meeting fixes the maximum liability to be so incurred by the society. Generally it is eight times the owned capital, i.e., the paid up share capital and the reserve fund. The conditions of deposits and loans are fixed by the committee.

Deposits generally come from the members themselves.

Loans can be borrowed from cooperative institutions, like a central or a district bank, or joint stock bank. Salary earners' societies have a better credit with the banks, and there is no difficulty in getting accommodation.

Reserve Fund and Other Funds. The reserve fund can also be used as working capital. One-fourth of the net profits is credited to a reserve fund every year which is indivisible. With the passage of years the accumulations in the fund grow and can be drawn upon in case of necessity.

Other funds are also created out of the profits, e.g., Bad Debt Fund, Building Fund, Dividend Equalisation Fund, Depreciation Fund, Sinking Fund etc. These can, also, be used as working capital.

Any amount carried over to next year's profits may be similarly used.

Admission fees are chargeable only once and are very small in amount. Donations, also, are not very common. These sources, therefore, are comparatively unimportant as sources of working capital.

Financially the Salary Earner's Societies have been very strong. Their owned capital is a large percentage of the working capital. Only about 15% of the working capital has to be borrowed.

Loans to Members The funds of the society are used for giving loans to the members only. With the application for a loan a declaration has to be submitted to the effect that the applicant is neither a member of any other cooperative credit society nor is indebted to any.

Loans are given for necessary and legitimate objects, e.g., education, sickness marriages other ceremonial purposes, and they are to be utilised for the purpose for which they are taken. If a loan is misutilised it can be recalled.

The maximum amount of loan can be ten times the value of shares held by the members. Only permanent employees can be advanced a loan.

Three types of loans can be given (a) emergent loans not exceeding one month's salary, repayable in not more than 12 monthly instalments (b) Ordinary loans not exceeding 4 months' pay or Rs 600/ whichever is less, repayable in not more than 36 monthly instalments (c) Special loans not exceeding 6 months' pay or Rs 900/, whichever is less, repayable in not more than 48 monthly instalments.

The three types of loans can run concurrently provided the total indebtedness to society is not more than Rs 1,000/ or 7 month's pay, whichever is less.

The instalments for repayment are fixed at the time of advance, but the total repayments in any month should not exceed 1/6th of the member's pay. Another thing which has to be borne in mind is that all the debts should be repaid before the member retires from service.

Rate of Interest. The rate of interest on loans advanced on the personal security of the borrower is 9%. For other securities the rate is fixed by the committee and a penal interest is, generally, charged in case of a default.

Security Every loan is secured by the surety of one or more members of the society, the liability of the surety being proportionate. No person will, however be permitted to undertake, as surety liability exceeding 6 months pay. The surety must be approved by the committee of management.

Other securities that can be offered are (i) insurance policies to the extent of their surrender value, (ii) fixed deposit receipts and (iii) other gilt edged securities.

nt loans can, however, be granted without any surety

ries. In the earlier societies deductions of the dues
lary were not undertaken by all the heads of depart-
fices with the result that overdues in many societies
avy. Recently, however, a Governor's Act has been
uch deductions are now compulsory. Recovery of
therefore, a comparatively easy matter now. Not
/o of the outstandings are overdues. At the time of
member authorizes his employer to deduct the dues
ry bill.

In calculating the net profits of the society the
luctions are made from the gross profits :

rest allowed, (b) expenses of management, (c) provisions
(d) depreciations for stocks and buildings and (e) other
interest which is overdue or any interest earned but
cluded in the profits.

he net profits 1/4th at least goes to the reserve fund.
nay be distributed as follows, with the sanction of

:

- (i) not more than 10% to a charity fund.
- (ii) not more than 10% for dividends on paid up share capital.
- (iii) to additional payments into the reserve fund,
- (iv) to next year's profits.
- (v) and to building up of other approved funds, e. g., Bad debt fund, Building fund, Sinking fund etc. All dividends not claimed within 3 years are credited to the dividend equalising fund.

If a society is dissolved the liabilities must first be discharged and, if necessary, the reserve and other funds can be used for it. Out of the remainder dividends at the maximum rate of 10% can be paid for those years when dividend was not declared. If something is left over, with the approval of the Registrar, it can be applied to a charitable purpose or to an object of local utility. In case the committee fails to recommend an approved object within 3 months, the Registrar has the power to use the funds in supporting cooperative societies in the vicinity or in furthering the movement as a whole.

Administration. Since all the members of a salary earners' society are educated the administration of the society presents no difficulties.

General Meeting. The supreme authority in the society is the general meeting which can be called by the committee of management, by the Registrar or any person authorized by him or at the request of at least 1/12th the members on rolls or twenty, whichever is less. A meeting called by the Registrar or convened at the request of the members must meet within six weeks, and transact only that business for which it has been summoned.

Once a year there is an annual general meeting for which the quorum is 1/5th of the members. At least 1/10th must attend in person. For a meeting, adjourned for want of a quorum, the quorum is 1/2 of the above.

The President of the general meeting being the head of the department or office, ex officio, the general meeting elects a Vice-President, other members of the committee of management, an Honorary Secretary from among the members of the committee and a Treasurer who may not be a member of the committee. The last two hold office for a year. The other functions of the general meetings are the same as in the case of an agricultural credit society.

Every member can exercise only one vote irrespective of the number of shares held by him. Members who cannot attend the meeting can send their proxies on prescribed forms to others who are expected to attend, but this privilege is granted only to the members living outside the headquarters of the society.

Committee of Management. The President of the committee is the President of the general meeting. Besides him, there is the Vice-President elected by the share-holders, a few members elected by the share-holders and a few persons nominated from amongst the share-holders by the ex-officio President. The last class of members holds office for a year only. The elected members of the committee hold office for three years.

One-third of the members retire, however, at the close of the first year, and half of the remaining at the close of the second year. The members who retire are chosen by lots. The retiring members are eligible for re-election. No members of the committee can hold office for more than two terms consecutively without special sanction of the Registrar.

If there is a vacancy among the elected members or the treasurer, it will be filled up by election by the remaining members of the committee. A vacancy among the nominated members is filled up by first nominations by the president.

Among other things the membership of the managing committee ceases if a near relation of the member is employed by the society or the member himself accepts an office of profit under the society. Absence from 4 consecutive meetings of the committee, without sufficient cause, also, terminates membership of the committee.

The meetings of the committee should take place at least three times a year. The function of the committee are agricultural more or less the same as in a credit society.

President. The President is the chief executive officer of the society and wields great power and influence. In emergencies he can exercise all the powers of the committee and if he finds that the committee is not functioning properly he can take over the administration, convene a general meeting within a month and get a new committee elected.

All cheques and instruments above Rs. 300 have to be signed by him. All loans above Rs. 500/-, recommended by the committee, are confirmed by him, and he has the power to allow postponements. He can incur contingent expenses above Rs. 50 but below Rs. 100. Any member can be directed to act as Secretary if the office falls vacant, and powers can be delegated by him to the Vice-President and sub-committees.

Secretary. The Secretary controls the establishments, incurs contingent expenditure below Rs. 50, signs cheques and bills up to Rs. 300, sanctions loans not exceeding Rs. 100, and recommends admission of new members. Besides, he carries on the same duties as a Secretary in an agricultural credit society.

The management of a salary earners' society though efficient is not democratic with the head of the department or office as President and the nominated members, who are generally high officials of the department or office, as members of the committee. Free expression of opinions in the committee is not possible. The society is dominated by the President and he does as he likes. In case the society has a wide area of operation the power is concentrated in the hands of the officials of the head quarters who can manipulate, with the help of the proxies, the affairs of the

society in their own interest. Members neither in the general meeting nor in the committee can meet as equals.

The salary earners' societies have progressed steadily even during the period of depression, as the depression did not affect the salary earners.

Societies for Artisans and Traders. The societies organised for Artisans and Traders in urban localities have adopted unlimited liability although it is optional under the Act to choose limited or unlimited liability. It has been done to avoid entry of unreliable men in the society.

The constitution and the working of these societies is exactly the same as in an agricultural credit society, with a share system.

Area of Operation. The area of operation of the societies is the whole town, if it is a small one, or a *moballa*, or a part of the town, if it is a large one.

Membership. Generally the membership of the society is confined to persons following the same occupation or trade, but, if conditions are favourable, a general society can be started to include all castes and callings in a *moballa*.

Capital. The working capital of the societies is derived from shares, deposits, loans and the reserve fund. The societies, however, depend mostly on their share capital and the reserves, i.e., the owned capital. Even loans from the central banks are usually available on the basis of the owned capital. The more the share capital and the accumulations in the reserve fund, the greater will be the credit of the society.

Loans from Societies. To check excessive borrowing it is provided, in the bye-laws, that the maximum, a member can borrow, will be a fixed proportion of the paid up value of his share capital. Since the 'haissiyat' register compiled by the societies is not accurate, the societies have to be very cautious in granting loans to the members. They should avoid long-term loans.

In addition to two sureties, the societies consider it desirable to have tangible securities for loans.

Loans are mostly taken for trade purposes and should be paid off out of the sale proceeds of the products.

The instalments are frequent and the amount is small.

Most of the credit societies arrange to purchase raw materials also for the members.

Difficulties of the Societies. (1) Cooperative education of the members is exceedingly difficult in societies for artisans and traders. Members do not like to leave their business and attend meetings. Sometimes, the meeting cannot be held for want of a quorum.

(2) The natural consequence of this is that the business of the society is left in the hands of the paid staff and one or two members of the society. There is a greater danger, therefore, that the society may be mismanaged.

(3) The society, again, cannot conduct searching enquiries regarding how the loans taken are being utilised. Members resent such enquiries as they are afraid that their trade secrets will be out.

(4) Loans taken are generally used for the improvement of business and, therefore, cannot be repaid within a short period. The societies hesitate to lend for long-terms as they have no facilities for ascertaining whether additional loans have been borrowed from other moneylenders or not.

(5) The corporate feeling among the members of the society is not very strong.

(6) And there is no certainty that if a member is heavily indebted he will not leave the town and disappear.

Progress. The progress of the societies can be judged from the following tables*.

Table No. 1

Unlimited Liability Societies.

Years	Number of societies	Members	Share capital	Reserve fund	Working capital	Loans and deposits
				(in lakhs of Rs.)		
1930	156	3,138	·62	·62	2·86	1·62
1931	153	3,094	·68	·73	2·94	1·52

*Table based on figures from the Annual Reports of Cooperative Societies in U. P.

N. B. Figures for 1944-1945 for Reserve Fund, Share Capital, Loans and Deposits are not available.

COOPERATIVE MOVEMENT IN U P

1932	140	2,898	69	81	3.05	1.55
1933	151	2,918	71	87	3.04	1.16
1934	152	2,929	71	94	3.05	1.40
1935	166	3,342	68	98	2.87	1.21
1936	189	4,277	67	101	2.95	1.27
1937	204	5,101	69	105	3.00	1.26
1938	224	6,326	70	104	3.11	1.37
1939	249	7,036	83	110	3.56	1.53
1940	260	7,452	95	115	3.76	1.66
1941	249	7,971	98	123	3.78	1.57
1942	244	6,870	100	123	3.56	1.33
1943	234	6,384	99	128	3.36	1.08
1944	276	5,899	—	—	3.34	—
1945	216	3,340	—	—	3.41	—

Table No II
Limited Liability Societies

Year	Number of societies	Members	Share capital	Reserve fund (in lakhs of Rupees)	Working capital	Loans and deposits
1930	71	20,568	8.09	1.57	18.95	9.28
1931	70	21,657	18.79	2.25	21.27	10.23
1932	70	23,257	10.05	2.61	24.80	12.11
1933	71	24,251	11.39	3.02	28.06	13.65
1934	73	28,049	12.69	2.77	31.00	15.63
1935	94	32,827	13.45	3.29	33.42	16.67
1936	109	33,713	14.89	3.80	38.71	20.02
1937	128	41,102	17.54	5.44	47.87	24.89
1938	162	46,171	20.04	6.02	55.23	29.18
1939	208	52,667	23.09	6.17	62.89	33.62
1940	239	62,329	25.25	6.90	68.95	36.80
1941	274	65,699	25.56	7.78	70.41	37.06
1942	315	67,465	25.45	8.13	74.09	40.51
1943	368	68,808	26.37	8.65	81.44	46.42
1944	401	75,000	—	—	80.62	—
1945	403	77,000	—	—	79.47	—

From the tables it can be seen that although the number of the limited liability societies was not very much more than the number of unlimited liability societies the membership, the share capital and the working capital in limited liability societies are very much more than in unlimited liability societies.

The reasons why the limited liability societies which are predominantly 'salary earners' societies' have a greater volume of business have been that (a) the members are educated, (b) overdues are small due to the system of deducting the dues from the salaries, (c) the incomes are regular and (d) the administration is efficient.

The unlimited liability societies which are societies organised for the artisans, traders and business people, generally, do not have the same degree of education, and the collections are also not so good. Apart from this, economic conditions have a great bearing on the working of the societies. When the business is dull the working of the societies suffers. The figures for these societies between 1930 and 1932 show this tendency.

These societies are small institutions as compared to the limited liability societies. In 1941 the membership in 249 societies was only 7,971 and the working capital amounted to only Rs. 3.78 lakhs. The figures in the 274 limited liability societies were 65,699 and Rs. 70.4 lakhs respectively. Still, due to the lack of education, the societies are torn with factions. The management, also, is not quite so efficient. The brunt of the work falls on the paid staff and the members themselves take little interest in their societies. The average membership has risen during 1930-1941 from 20.1 to 32 but, during the same period, the average working capital per society has gone down from Rs. 1835.1 to Rs. 1518.1. The per capita working capital in 1941 was Rs. 47.4 while in 1930 it was Rs. 91.2.

Considering the comparatively large percentage of people engaged in handicrafts and trades, the number of societies and their membership is hopelessly small. So far as the benefits from these societies go, the increase in the average membership of the societies but a decrease in the average working capital and the working capital per member are a clear evidence of a deterioration in the situation.

A careful organisation of the societies, greater propaganda among the artisans, ceaseless education of these people in co-operative principles and a simultaneous development of marketing alone, can improve matters. A clear classification of the loans and true declaration of the objects will go a long way to make the societies more useful and popular. For the purchase of raw materials and occasional domestic requirements, only short term credit should be advanced. Other needs like purchase of tools and implements may be met only where the current needs have been satisfied. A true declaration of objects will enable a society to

In general, a land mortgage society encourages among the members thrift and 'self help through mutual help'

Area of Operation The area of operation, as contemplated in the by laws, is to be ultimately the whole of the district. To start with, however, it is permitted to limit the operation to a Tahsil. On principles it is advisable to limit the area of operation so that identification and valuation of the lands to be mortgaged may not be difficult and expensive. If the area is limited the directors or the members of the committee will possess local knowledge and the services of expert valuers will not be necessary.

Membership In a land mortgage society there are 3 classes of members (A) The borrowing members, (B) the non borrowing members and (C) persons permitted to join in the execution of mortgage deed in order to pass a valid title to the society.

For 'A' and 'B' class of members the qualifications for membership are the same as in a credit society.

The conditions for the termination of membership and expulsion, also, are the same as in credit societies. It is, however, provided that a member can be expelled, for misapplication of loans or for incurring serious outside liability, with the permission of the committee of management.

Application for admissions are made, on the prescribed form, to the committee which disposes them off.

Every member has the right to nominate his successor. In the case of (A) class members the nominee should be the legal heir to the land on the security of which a loan is advanced by the society. The nominations have to be made in writing and attested by two witnesses.

Funds The funds of the society come from the following sources (a) admission fees, (b) share capital, (c) loans and deposits and (d) Reserve and other funds.

Admission fees 'C' class members of the society have to pay Re 1/ as an admission fee.

Shares There are two kinds of shares, Ordinary and Preference. The value of both the kinds of shares is Rs 10/. The whole of the share money must be paid on allotment, in the

case of ordinary shares. In the case of preference shares Rs. 2/8 is payable on allotment and the remainder by calls, not exceeding Rs. 2/8, for which a month's notice is given. The number of preference shares is limited to Rs. 5,000/-. Shares are allotted by the committee.

Shares are non-transferable except with the permission of the committee. They are, however, transferred to the nominees of a deceased member.

Shares cannot be withdrawn. In case, however, a member is permitted to withdraw, is removed or expelled or the nominee of the deceased is not admitted to membership, the money is paid in accordance with Sec. 23 of the 1912 Act. For the period, the share money remains with the society after the cessation of membership, interest is payable at the rate of the dividend declared the previous year.

'A' and 'B' class members must hold shares but the 'C' class do not.

Deposits. The managing committee in a land mortgage society is authorised to receive deposits within limits prescribed by the general meeting. Deposits can be received from members as well as non-members. Since, however, the loans advanced by the society are for a fairly long period current and saving deposits are out of question. Ordinarily, only fixed deposits are accepted and that, too, for not less than five years.

The rate of interest on deposits is determined by the committee but cannot exceed 7% per annum.

Loans. Loans can only be taken from the District Bank in the district unless there is either a general or special permission from the Registrar.

The amount of deposits and loans, the society can raise in a year, is fixed by the general meeting with the approval of the Registrar. Liabilities can not be created by the society beyond that limit. The maximum liability will in no case exceed 20 times the value of paid up share capital and reserve fund.

Reserve and other funds. Out of the net profits one-fourth must be placed in a Reserve Fund. In course of time the Reserve Fund will become a good source of working capital. Other funds can, also, be created by the committee with the approval of the Registrar.

Liability The liability of the members for the debts of the society is limited. The liability of the preference share holder is the nominal value of their share. The liability of the ordinary share-holder is two times the nominal value of their shares.

Loans to Members The funds of the society are used for giving loans to the members of 'A' class. A loan exceeding 20 times the value of the shares held cannot be given, and no loan is to exceed Rs 5 000/. The minimum which can be advanced is Rs 400/. The actual amount which is advanced is determined, within these limits, by the committee of management on the basis of the value of land mortgaged to the society.

Any member, who is also a member of any unlimited liability society, unless recommended for a loan by that society, cannot get a loan from a land mortgage society.

The managing committee has to conduct an enquiry into the title of the applicant to property, to be mortgaged to the society, and the value of such property has to be ascertained, the cost of the valuation and determination of the title being borne by the borrower himself.

Not more than 50% of the value of land can be advanced to a member. In case the loan exceeds Rs 1,000/, a certificate of encumbrance from the Sub Registrar's office may be required by the committee.

In case a loan is taken for the redemption of an old mortgage, the society should, so far as possible, pay the sum to the creditor of the borrower so that there may be no possibility of misapplication and a proper title is passed on to the society.

Security Every loan must be secured by a mortgage of land which must be registered. So that a clear title may be obtained by the society it insists that all persons interested in the property join the society as 'C' class members and become co-executants of the mortgage deed.

In addition to the mortgage of land one or two personal sureties are also needed. If there is more than one personal surety, one must be a member of the society. All sureties are liable to pay the full amount of the loan. If a surety dies a fresh surety may be required, a member or a non member, as the case may be. If the fresh surety is not acceptable and arrangement to pay the loan by a fixed date are not made, the loan account of the member is closed and steps are taken to recover the loan.

All land mortgaged to the society should be free from encumbrances except when a loan is taken for the redemption of prior mortgage debts.

Loans are advanced by the society for purposes, specified under the objects of the society, and must be used for the purposes for which they are advanced.

The maximum period of the loan is 15 years.

The rate of interest charged on the loans is determined by the committee but is not to exceed 9% per annum.

The loans are repayable, by equated instalments, fixed by the committee. Extensions for the payment of instalments can be given, if considered necessary, for the maximum period of six months, by the committee. Longer extension are allowed only with the previous sanction of the Registrar. With his previous approval even the instalments can be revised.

Nothing, however, stands in the way of the repayment of the whole loan at any time.

Recall of Loan. A loan can be recalled by the society under the following circumstances: (a) if the mortgaged land becomes subject to forced administration or forced sale, (b) if the land is in danger of being swept away by water, (c) if the borrower incurs outside liabilities without information to or permission from the society, (d) if a member fails to provide a surety, (e) if a member defaults, (f) if he fails to pay rent or revenue of the mortgaged land, (g) if the land so mortgaged is attached by a court, (h) if the loan is misapplied, (i) if a member deceives the society or (j) if he becomes insolvent or insane or is expelled from the society.

In case the value of land depreciates a partial recall may be made.

Penal Interest. On overdue instalments the rate of interest charged is 12%.

In case of mortgage without possession the society may, and in case of mortgage with possession, it shall pay rent or revenue on behalf of mortgagor. Such advances will be added to the member's loan account and interest will be charged at the same rate as on the original loan, the repayment in respect of these advances being the first charge on the mortgaged property.

Administration: General Meeting. The supreme authority is vested in the general meeting. The annual general meeting

should be held as soon after audit as possible. The functions of the general meeting are the same as in an agricultural credit society. The general meeting, however, does not elect the Chairman who is *ex officio*. A Senior and a Junior Vice Chairman are elected by it and so, also the Secretary.

As pointed out earlier, the maximum liability of the society has to be determined by the general meeting every year.

A general meeting can be convened at the instance of the Registrar or the Chairman or at the request of at least 15 members. The quorum for a general meeting is $\frac{1}{4}$ th of the number of members or 25 whichever is less.

The Chairman of the Society is the Deputy Commissioner or Collector of the district, *ex-officio*.

Committee of Management The committee of management is the executive body of the society. The composition of the committee is as follows: an *ex officio* Chairman, one person nominated by the Registrar Cooperative Societies, one nominated by the District Magistrate, one nominated by the District Cooperative Bank and six other members elected by the members.

The nominated members need not be shareholders and hold office for 3 years. Elected members also hold office for the same period. At the end of the first year $\frac{1}{3}$ of the elected members and at the end of the second year another half of the remaining retire by lots. The retiring members are eligible for re-election.

All casual vacancies among the elected members are filled up by the committee itself. If any elected member has overdue of more than a year's standing he ceases to be a member of the committee *ipso facto*.

The meeting of the committee must be held at least once a year.

Besides other functions common to a committee in an ordinary credit society, the committee in a land mortgage society appoints a legal adviser. It appoints two valuers to estimate the value of land and the net income from land. The rates of interest on loans and deposits are fixed by the committee.

Irrespective of the number of the shares held, only one vote is exercised. 'C' class members do not have any vote. The nominated members in the committee have also, a right of vote. Proxies are permitted in the case of '*purdab nasbin*' ladies.

The Chairman exercises general control over the affairs of the society, and can incur contingent expenditure upto Rs. 50/-. He has the power to start arbitration proceedings on the motion of any member of the committee and apply for the execution of any award.

The Secretary is the chief executive officer of the society and is responsible for its proper working.

Valuation of Land. The success of the society depends on the proper valuation of land to be mortgaged. Two persons are appointed as valuers by the committee. The valuers must not be related to the applicant for loan and must not have any interest in the property to be valued. They have to determine the market value of land and its net income. A list of persons having interest in the land has, also, to be submitted and the specific interest of all the persons must be specified.

A public notice is issued, inviting objections to advance of loans. Such objections must be submitted within the time notified.

Custody of Securities. Mortgage deeds and all other securities owned by the society are kept in the joint custody of the Treasurer and the Secretary under double lock.

Profits. Profits are calculated after excluding the overdues and the expenses of management.

The first charge on the net profits is the contribution to the reserve fund. At least 25% of the profits must be so contributed.

Out of the remainder a provision can be made for bad and doubtful debts.

The next charge are dividends not exceeding 8% on the shares of non-borrowing members.

The dividend not exceeding 8% are to be paid, next, on the share capital of the borrowing members.

Not more than 10% can be set apart for charitable purposes.

If something is left over it can be utilised for creating other funds, increasing the reserve or carrying it over to next year's profits.

All disputes between the members are decided by the committee of management and liquidation can take place only by the order of the Registrar.

When the society is dissolved for some reason the reserve and other funds must first be used for discharging liabilities and

repaying share capital Dividends can, also, be paid for any period for which the dividends have not been declared The rest of it can be utilised for a local object of public utility decided by the committee. In case within three months no decision is reached, the Registrar can use the funds for supporting a land mortgage society in the neighbourhood or for encouraging the movement, in general

Progress The first land mortgage society was started at the end of 1929-30 at Saidpur in the Ghazipur district Three more societies came into being at Fyzabad, Gorakhpur and Jalaun in 1934 In 1935 another society was started at Jaunpore and recently one society has been added

The general progress of the land mortgage societies can be gauged from the following table*

Year	Number of Societies	Membership	Working capital (in lakhs of Rs)
1931-32	1	40	12
1932-33	1	70	16
1933-34	4	120	23
1934-35	5	279	59
1935-36	5	380	98
1936-37	5	456	118
1937-38	5	556	148
1938-39	5	632	176
1939-40	5	701	191
1940-41	5	775	201
1941-42	5	838	214
1942-43	5	869	208
1943-44	6	867	207
1944-45	6	—	—

The growth, as is evident from the table, has been very slow There are only 6 societies in the Province and the membership also is only 867, almost an insignificant percentage of the population

* Table based on the figures of Annual Reports of Cooperative Societies in U P.

The table† given below shows the position of land mortgage banking in the other provinces of the country, in 1939-40.

Province	Number of Banks	Number of members	Working capital (in lakhs of Rs.)
Madras	119	55,575	238·9
Bombay	17	9,089	29·01
C. P.	21	5,874	13·74
Mysore	42	5,861	12·12

The U. P., as can be seen, compares very unfavourably with these provinces and states.

When the society was started at Saidpur in the Ghazipur district loans were given to the members having transferable rights in land. Loans up to 60% of the value of the property were advanced, provided the title was clear. Long term loans, for not less than 5 years, at rates, not exceeding $7\frac{1}{2}\%$, were accepted; and on loans given by the society 9% interest was charged. Loans were confined to redemption of mortgages and repayment of old debts. Loans were, however, refused to members of joint families having one or more members as minors.

The society adopted a policy of caution from the very beginning so that the venture may not be a failure.

Other societies, subsequently started, have followed the same policy as the pioneer society.

Conditions in 1937-38 were favourable and the societies were able to secure funds at $4\frac{1}{2}\%$ and, therefore, could reduce the rate of interest charged on the loans to $7\frac{1}{2}\%$. The societies, generally, advance loans for the repayment of old debts and redemption of old mortgages. Due to the uncertainty of the value of land, as a result of legislations passed by the Congress Ministry, the societies have been stringent in the matter of security for loans.

The transactions of the societies, therefore, have been limited.

The following figures* will show that great care is exercised by the society in advancing loans.

† Figures relate to 1939-40—Yearbook and Directory of Indian Cooperation, 1942.

* and † Figures based on the Annual Reports of Cooperative Societies in U. P.

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Loans Advanced	Rs 4,000	1931-32	5,000	1932-33	8,200	1933-34	40,625	1934-35	43,000	1935-36
Loans Advanced	Rs 27,420	1936-37	42,000	1937-38	40,985	1938-39	26,830	1939-40	22,650	1940-41
Loans Advanced	Rs 32,550	1941-42	15,550	1942-43	11,000	1943-44	25,000	1944-45		

Almost all the societies have to refuse a number of applications for loans

Loan transactions amounted to 42.57 lakhs in Madras, 5.90 lakhs in Bombay, 2.62 lakhs in C P, 2.17 lakhs in Mysore and only 29 lakhs in the U P in 1939-40†

Financially, the land mortgage societies have been a success. The following table† bears witness to it

Year	Share capital Rs	Loans Rs	Deposits from members Rs	Reserve and other Funds Rs	Owened capital Rs
1932	1,005	10,900	—	240	1,245
1933	1,350	14,025	—	528	1,878
1934	2,570	15,828	—	842	3,412
1935	10,285	47,167	818	1,241	11,526
1936	20,607	71,514	3,743	2,366	22,973
1937	22,672	84,924	6,700	3,485	26,157
1938	24,985	85,065	33,649	4,314	29,299
1939	27,611	100,060	43,450	5,791	30,776
1940	28,966	97,596	56,661	6,406	35,372
1941	30,123	85,601	74,884	9,973	40,096
1942	31,477	86,462	84,459	12,388	43,865
1943	32,432	82,681	78,650	13,994	46,426
1944	31,776	77,936	79,241	9,923	41,699

The share capital has been increasing in size. The societies have been able to attract quite a good sum as deposits and the Reserve and the other funds have also been growing.

A good indication of the strength of the society is the percentage of the owned to the working capital. This percentage has grown steadily except for a setback during 1938 and 1939.

	1932	1933	1934	1935	1936
% of Owned to Working Capital	10.2	11.8	14.6	19.4	23.4

	1937	1938	1939	1940	1941
% of Owned to Working Capital	22.2	19.8	17.4	18.5	19.9

	1942	1943	1944
% of Owned to Working Capital	20.5	22.3	20.1

The collections have been very satisfactory throughout and the overdues negligible. In 1944 out of a total outstanding amounting to 1.69 lakhs the overdues were only .2 lakhs or 11.8%. In 1945 the percentage dropped down to 5.

No society has so far worked at a loss except the Gorakhpur society in 1939 and 1940, the profits of the societies being as follows:

	1932	1933	1934	1935	1936	1937	1938
Rs.	348	393	473	1,349	1,508	2,993	3,479
	1939	1940	1941	1942	1943	1944	
Rs.	1,456	5,941	5,700	5,082	5,423	5,516	

Upto 1935, the rate of dividend paid by the societies was 8%, but since then the rate has varied between 5 and 6%, on an average.

Causes of Slow Growth. The land mortgage societies, however, have not been as popular as they were expected to be. Repayment of old debts and redemption of old mortgages, alone, have been undertaken by them. And, even, in this sphere very little has been done, so far. Permanent land improvements and acquisition of land in order to make the holdings economic have not been taken up by the societies.

A number of causes are responsible for the stunted growth of the movement.

(a) Many formalities have to be gone through before a loan can be advanced by a land mortgage society. The title of the member to the land, proposed to be mortgaged, has to be enquired

into. A correct valuation of land and the net income have, also, to be estimated. There are, therefore, considerable delays in advancing loans. The people in the village can get a loan on mortgages much more promptly from other sources and prefer to do so. While it is necessary for the societies to take all proper precautions for the safety of their money, to attract more members, the delays will have to be curtailed.

(b) Another difficulty of the societies is that the land tenures in the U. P. are very complicated. In the Punjab there is peasant proprietorship and every land owner has transferable rights in land. In these provinces, however, occupancy and statutory tenants do not enjoy such rights. A very large class of cultivators, therefore, is outside the scope of land mortgage societies.

(c) The period of loans, also, is much too small. The maximum period for which a loan can be advanced is only 15 years. Instalments for repayments are, therefore, comparatively large and beyond the paying capacity of the borrowers. If the land mortgage societies are to fulfil their objects, it is necessary that the repayments should be made out of their earnings; and such repayments are possible only when the instalment is a small one. The period of the loan, therefore, must be extended. If the instalment of repayments have to be kept low without extending the period of loans the amount that can be advanced will cover only a fraction of the member's needs and for a part of the capital the member will still have to depend upon outside agencies.

(d) The rate charged on the loans advanced by the society, is also much too high for mortgage credit. The maximum rate charged by the society is 9%. This is due to the fact that the societies themselves have difficulty in getting credit for a sufficiently long term. The system of advancing long term loans through short term deposits is, obviously, unsound. When conditions in the money market are easy money may be easily forthcoming but when the money market is tight withdrawals cannot be avoided.

(e) Long term cheap credit will not, however, be available unless debentures are floated and they cannot be floated in the absence of a central land mortgage bank. A central land mortgage bank will come into existence only if there is a large number of land mortgage societies. We, thus, seem to be moving in a vicious circle. Now, however, that a Cooperative Provincial Bank has come into existence, this circle can be broken and issue of debentures can be undertaken by the Provincial Bank even in the absence of a central land mortgage bank. With the provision of

cheap credit the number of land mortgage societies will increase, making it possible to start a central mortgage bank to provide cheap long term finance.

(f) In the U. P. another factor which has retarded the growth of the movement has been the absence of any Government help in the shape of a guarantee. In the other provinces, like Madras, cheap long term credit has been possible through debentures backed by Government guarantee. Nothing of this kind is available in the U. P. For this, partly, the absence of a central land mortgage institution has been responsible.

(g) The societies are, also, not in a position to maintain proper staff for propaganda, land valuation and supervision. In Bombay and Madras, Government assistance for these purposes is available but, here, in the U. P., even this encouragement has not been forthcoming.

How to Popularise the Movement. Now, that a Provincial Bank has been started in the U. P., the Government should offer a guarantee for the capital and interest on debentures which should be issued now by the Bank for land mortgage societies. This step is necessary to obtain cheap long term credit. Till such credit is available the land mortgage societies cannot be expected to prosper. Once it is available the number of societies will increase and so also their business. When the increase takes place the earliest steps should be taken to bring into existence central land mortgage banks.

Government assistance in propaganda, supervision and valuation of land is, also, necessary. Special staff should be deputed by the Cooperative Department for this purpose.

Once cheap credit is available for long term it will be possible for the societies to reduce their rate of interest on loans advanced. Loans for longer periods will also become possible.

Instalments, under these conditions, will become easier and the societies will be able to meet all the long term requirements of the members. The members will also find that the instalments are not beyond their paying capacity. If, then, the societies reduce the delays in advancing loans to the members they are bound to become popular and the movement will expand.

In spite of these measures, however, a large portion of rural population will remain outside the land mortgage movement till transferable right in land are given to occupancy and statutory

tenants. The Tenancy Act must be amended so that the mortgage of holdings in favour of the societies may become legal. It will be best to pass a Land Mortgage Banks Act under which provisions of Transfer of Property Act, Insolvency Act, 'Trustees' Mortgagees' Powers Act, and Land Improvements Act will not be applicable to transfers made in favour of land mortgage societies.

Under the joint family system land can be mortgaged for only certain purposes. Improvement of agricultural land, methods of cultivation and purchase of land to make holding economic are purposes which are not binding on the Hindu joint family. These under the Land Mortgage Banks Act should be made binding.

If a separate Act is not passed the purpose can be served by including the same provisions in the Cooperative Societies' Act.

CHAPTER IX

AGRICULTURAL MARKETING

Credit cooperation and cooperative purchase are valueless if marketing of agricultural produce remains unorganised. The margin of saving, an agriculturist has, depends as much on the price he is able to obtain for his produce as on the lower cost of production.

The present position in the Province is that the cultivators do not get a square deal as sellers of their produce and, thus, are unable to get a fair share of the value of the produce.

Handicaps in Marketing. There are a number of factors responsible for this unfortunate position.

(a) The individual producer is a small unit as compared to the distributors of his produce who are well organised. The bargaining power of the producers, therefore, is small. Naturally, the prices are in favour of the distributors.

(b) While marketing is the sole business of the distributors it is a subsidiary one of the cultivators. The producers pay considerable attention to the production of agricultural commodities and, generally, neglect the marketing side. The art of sale is not studied properly by the producers.

(c) In the marketing of their produce, again, the cultivators, generally, are not free agents. They are, in most cases, indebted to the moneylenders who are also dealers in agricultural commodities. The loans are advanced on the condition that the produce will be sold to them or through them. If the produce is sold to the moneylenders the prices are dictated by them and are considerably lower than the market price. If, on the other hand, there is an agreement to market it through them, considerable deductoins are made before the price is actually paid.

(d) Even if the cultivators are free to market their produce, their economic position is so weak and there are so many demands on them, as soon as the produce has been gathered, that they have to sell in a glutted market. Since they cannot wait for better prices, the supplies being in excess of the demand, a very low price is obtained by them.

(e) Illiteracy, too, is a great handicap. The cultivators have no knowledge of the prevailing prices or the markets where the produce can be sold to the best advantage.

(f) Since the produce is not properly graded all qualities of the same commodity are sold for the same price.

(g) Communications are so defective that the movement of the produce is both expensive and troublesome. There is, thus, no alternative left but to dispose of the produce in the nearest market, irrespective of the price obtainable, elsewhere.

(h) No storage facilities are available even in the bigger *mandis*. The cultivators, even if they take their produce to the *mandis* can not wait for better prices, at a later date, and are forced to sell their produce the same day.

(i) The absence of regulated markets, in the greater part of the Province, is another factor which makes marketing inefficient, and prevents the agriculturists from getting a fair deal. The prices are not settled openly, a considerable quantity is lost in samples, the brokers being friendly with the dealers' favour them, and the cultivators are subjected to many unauthorised deductions like 'Taular' and 'Gosbala'. Weights and measures differ from place to place and create a confusion.

The net result is that the distributors obtain the produce for a price much lower than what the consumers have to pay and pocket what legitimately should belong to the cultivators.

Advantages of Cooperative Marketing It is to remove the above difficulties and bring the producer more in touch with the consumers that there is an urgent necessity of cooperative marketing.

Organisation of agricultural marketing on a cooperative basis will give a better bargaining strength to the producers, provide marketing intelligence increase their staying power and save them from unauthorised deductions. Better prices will be obtained and the payments will also be prompt.

Realising these advantages 'Cooperative sale' and 'Producer and sale' societies were organised in the Province. The societies except those for the marketing of cereals are discussed in subsequent chapters.

Cooperative Marketing of Cereals and Oil Seeds In an interesting experiment was tried by the District Bank, Meerut. The overdues in the Bank were very heavy as, due

general fall in the prices of agricultural commodities, the cultivators were unable to pay back their dues to the societies. To reduce the overdues the system of realising them in grain and disposing it of was adopted. Any loss according to this scheme was to be shared in the following manner:

(i) Societies working with owned capital were to bear the entire loss in respect of quantities supplied by their members.

(ii) 50% of the loss was to be borne by societies working with 75% owned capital.

(iii) 25% of the loss was to be borne by societies working with 50% owned capital.

(iv) No loss was to be borne by societies working with less than 25% owned capital.

The rest of the loss was to be borne by the bank.

Commission agents were appointed at different centres to receive the members' produce. The members were exempted from merchandising charges and obtained a premium over the market rate. The cultivators could bring produce not exceeding in value the total dues, to the society on these terms. Extra produce could also be brought for sale to the bank but the market rate was allowed on such quantities.

A committee was formed for each centre which looked after the day-to-day business. The agent kept the director-in-charge of the centre informed of the variation in prices from day-to-day and the sales were effected under his directions.

The scheme worked successfully till 1935-36, but during the next three years heavy losses were suffered due to unsuitable storage.

The scheme was discussed at the 21st sessions of the U. P. Cooperative Conference at Lucknow in 1937 and was recommended for adoption to the other banks. But it was given up in 1938-39. Henceforth, for the marketing of grain, Marketing Unions were started by the Cooperative Department.

Marketing Unions. In 1938-39, the U. P. Government gave a grant of Rs. 17,000/- for the organisation of the Marketing Unions. In subsequent years the grant has been as follows :

1939-40	1940-41	1941-42	1942-43	1943-44
Rs. 18,000	100,000	73,000	54,000	36,000

It was expected that within 5 or 6 years the Unions will become strong enough to stand on their own legs and, hence, the grant has been decreased year after year since 1941-42. After 1944 it was stopped altogether. The grant enabled the Unions to employ 170 supervisors for marketing work only, and to meet the losses.

The following table gives an idea of the growth of the Marketing Unions in the Province.

Year	No. of Unions	Value of oilseed and cereals markets
		17.59 lakhs
1941-42	104	26.50 "
1942-43	130	36.50* "
1943-44	141	

Besides the Marketing Unions, Cane Unions, Central Banks and other societies have also been marketing grains and oilseeds.

According to a recent scheme of the Council of Agricultural Research, the Marketing Unions have undertaken distribution of improved seeds also.

The Marketing Unions have tried four methods: (a) Outright purchase of the member's produce, (b) Sale on a commission basis, (c) Arhat shops, and (d) Loans on the pledge of the produce.

Except in the case of outright purchase the risk in marketing is borne by the cultivators themselves. In outright purchase, as the Union purchases the produce of the members and pays the price to the cultivators, any losses incurred in marketing have to be borne by the Union. Since it is fair that the producers should undertake the risk of marketing it is desirable to discourage outright purchases. Besides, outright purchases require large amounts of finances which are not easily available.

An idea of the nature of work done by the Marketing Unions can be had from the following figures:

1942-43		Value
	Quantity	
Commission Sales	123,190 mds	Rs. 978,293
Commission Purchases	38,981 "	" 279,267
Outright Purchases	145,616 "	" 1,200,967
Pledge of Deposits	25,787 "	" 191,708

*Includes 7.31 lakhs marketing by branches of the Provincial Marketing Federation.

The main commodities marketed have been wheat, grain, barley, pulses and oilseeds.

The Unions have not made much progress in the Province due to uncertain market conditions, losses due to bad storage, competition from the Arhatias and comparative inexperience in this line of business. Till lately the absence of a financing agency was also a serious handicap.

Some of these difficulties have been removed. The Provincial Marketing Federation has come into existence to mobilise finances for the marketing unions and some experience has also been gained by them.

Suggestions for strengthening Agricultural Marketing. For the success of the unions it is necessary that they should be affiliated to the Provincial Marketing Federation so that they may get the advantage of marketing intelligence and be able to secure the necessary funds. No marketing union should be established unless it is willing to affiliate itself to the Federation.

Simple processing of the produce should immediately be taken up by the marketing unions. Processing will secure a better price for commodities and leave by products which will bring an additional income to the cultivators.

Apart from processing, another way to improve the produce is to grade the commodities. By separating the inferior produce from the superior, better prices can be obtained and sales by samples can be organised.

Many losses can be avoided if the unions avoid storage till proper store rooms have been constructed. Their attempt should be to dispose of the produce in the shortest possible time.

The village banks whose number has been increasing steadily should be persuaded to affiliate themselves to the unions as they are the best collecting centres for agricultural produce, specially, cereals and oilseeds.

The Dehra Basmati Rice Producers' Coopreative Marketing Society Ltd. Among the societies marketing cereals special mention must be made of the Dehra Basmati Rice Producers' Cooperative Marketing Society Ltd.

The society was started in 1936 with the objects of providing facilities to the members for producing the finest basmati rice and marketing the produce in such a manner as to safeguard the interests of the producers and the consumers alike.

The headquarters of the society are at Sheola, a village near Dehra Dun. The area of operation extends to the whole of the Dehra Dun tahsil.

Membership The membership is open to all producers and dealers of Dehra basmati rice, living permanently in the area of operation.

Capital The capital of the society comes from entrance fees, shares, deposits, loans and commissions. An entrance fee of Re 1/- has to be paid by the members.

The value of the shares is Rs 10/- The share money is paid in instalments of Rs 2/, payable within three years. Dividend not exceeding 7½% can be paid.

Loans and Advances by the Society Loans at the rate of Rs 2/ per bigha are advanced, in July, to any member cultivating paddy if he is not already a member of a credit society. The borrowing member has to execute a bond undertaking to sell all the produce against which the loan is granted to or through the society. The rate of interest on such loans is 7½% per annum. Two sureties, in addition to the bond, have to be provided.

Advances against the produce deposited in the approved godowns and pledged to the society are, also, allowed upto 75% of the market value of the pledged produce. For each share held by a member Rs 50/ can be advanced. The rate of interest charged in this case also, is 7½%.

Storage The society has good storage facilities. It has hired a pucca building at Sheola and in the villages also arrangement for storage have been made.

Grading The marketing department of the Government of India in 1939 undertook the work of grading the rice in three grades—Special, 'A' and 'B' according to the specifications fixed by the Agricultural Marketing Adviser. The society holds a certificate of authorisation to grade and mark rice under the agricultural produce (Grading and Marketing) rules. Rice is now sold under the 'Agmark' seals and labels.

The produce brought by different individuals is kept separately and each member's produce is graded. Pooling of the produce has not been attempted so far. Since the rice has been graded the sales of the society have increased very considerably.

Sale. For marketing rice the society has appointed agents in the important towns of the Province and at some places outside the Province as well. They guarantee sale of at least 25 mds. per month. The prices charged by them cannot exceed the prices f. o. r. Dehra Dun plus railway freight and other charges. A commission of 6%, on the minimum quantity, and 6½% on any sale in excess of that, is allowed by the society. Supplies to the agents are on a strictly cash basis, but if the agents deposit a cash security, upto that extent, credit can be granted. On such securities the society pays interest.

Rice is also supplied by the society direct on orders.

In Dehra Dun itself rice is sold through the Cooperative Arhat shop to which a 6½% commission is allowed. The shop purchases the rice outright and undertakes all the risks of marketing.

A member's account is finally made when all of his produce has been disposed of. After deducting the dues the balance is paid to the members.

Marketing Charges. The society charges a commission of 3½ per cent on the quantity of rice estimated to be sold through the society. No other charges, e. g., storage charges, are levied by the society.

That the marketing charges of the society are very much lower than the charges made by the ordinary merchants is clear from the fact that while the former's charges are only Rs. 3/2/-¹ per cent the latter's charges amount to Rs. 4/4/3* per cent. The commissions charged from the buyers are included in these figures.

Prices Obtained. The prices are fixed by the society on the age and the grade of the rice. The prices obtained for the graded rice have been -/8/- more than the prices of ungraded rice of the same age and quality.

Progress. The progress of the society is clear from the following table:

Years	1937	1938	1939	1940	1941
Membership	40	41	43	63	76
Number of villages supplying	5	5	6	11	14

* Report on the Cooperative Marketing of Agricultural Produce in India
—pp 44.

Years	1937	1938	1939	1940	1941
Share capital	Rs 728	Rs 1 268	Rs 1,978	Rs 2 591	Rs 3,211
Loans to members	10 600	5 900	5 779	7,151	15 031
Loans from Co-operative Banks	3 671	10 440	10 148	13 504	9 630
	Rs	Rs	Rs	Rs	Rs
Reserve fund		0	74	74	177
Working capital	10 390	11,768	12 900	11 537	18 092
Profits	64	201	517	930	870
Quantity of rice handled	mds 518	mds 2 608	mds 2 992	mds 4 088	mds 3 360
Value of rice sold	2 826	6 610	8 264	23 284	15 640
Commissions earned	56	229	262	788	608
Dividends	—	25 /	60 /	62 3/4	75 3/4

The table shows that the society is a small institution Its membership in 1941 was only 76 and produce was drawn from only 14 villages

The society has been working on right lines but the absence of pooling is open to abuse It should take care to see that members produce is graded and sold in the same order in which it is received by the society so that all the members receive equal treatment

Attempts should be made by the Department to organise similar societies in the other rice producing tracts of the District.

CANE SUPPLY SOCIETY AND CANE DEVELOPMENT

Sugar Cane is the main paying crop of the U. P. But the problem has always been how to secure fair prices for the growers. The chief difficulties of the growers are in connection with proper weighments, delays in settling accounts and forced charity contributions. To remove these difficulties cooperative sale was undertaken.

The Cane Supply Societies consist of (a) societies that were organised by the Cooperative Department and (b) those that have been formed under the Cane Development Scheme.

The objects and organisation of both the types of societies are almost identical. The societies organised by the Cooperative Department paid attention only to the marketing of cane for a long time and it is only recently that attention has been diverted to agricultural improvements. The other type from the very start has undertaken both marketing and improvement of cane.

Societies under the Cooperative Department. The first society under the Cooperative Department was started in 1928-29 at Gugli in the Gorakhpur District. It was a central society with 16 other affiliated societies. The societies supplied cane to the mill in the district. The carts of the producers were kept waiting for a long time, however. The mill owners also preferred to buy direct from the growers in order to avoid commissions.

A demand, therefore, soon arose to have their own mills. Since there was a lack of capital and skilled management, it was not possible to do so, but it was proposed to have power crushers.

The crushers proving unsatisfactory, it was decided in 1931-32 to manufacture white sugar directly and open-pan factories were opened at Mohanlalganj (Lucknow), Gola (Kheri) and Rupaipur (Sultanpur). The existing crushers at Bhitauli and Newari were modified.

The open-pan factories could not be a success and disappeared in 1934-35.

A vacuum-pan factory with a share capital of Rs. 10 lakhs was set up at Biswan (Sitapur). This was the first cooperative

effort to open a modern sugar factory. The factory, however, could not be managed properly and had to be liquidated in 1937-38.

The attempt to effect sales by having cooperative mills, thus, proved a failure.

In 1932-33 Cane Supply Societies were organised in Muzaffarnagar and by 1934-35 cane marketing was working in the districts of Dehra Dun, Meerut, Muzaffarnagar, Sitapur and Gorakhpur. The cane supply societies organised in these districts were central societies, supplying cane to the mills.

Central Societies The area of operation of the central societies was a large and scattered one.

Membership consisted of the cane growers and primary cane supply societies, if any. In Dehra Dun, Meerut etc., most of the members were individual growers but in Gorakhpur there was a number of primary societies, also, as members.

The funds of the societies come from deposits, shares, loans, admission fees, contribution and the Reserve Fund.

The societies advanced loans for cultivation purposes on the hypothecation of sugarcane, and arranged for the supply of cane to the factories. Some societies had factories with which they had contracted as members, while some did not have factories as members and made separate contracts with them.

If a primary cane supply society did not exist in an area, the cane growers were direct members of the central society. Delegates were elected village wise to represent the members on the general meetings of the society.

These delegates elected directors from among themselves who together with some nominated directors formed the Board of Directors. It was the chief executive body of the society.

The sub-divisional officer was, generally, the Chairman of the General Meeting and the Board of Directors.

There was a Secretary, also, who was either a non-official worker or a paid employee of the society.

Where primary societies had been organised they were organised on the basis of one society one village. These societies were affiliated to the central societies. They were represented by delegates on the General Meeting of the central societies.

Primary Societies. The societies advanced money to cane growers, and sold improved seeds to the members on the security of their crops. It acted as an agent of the members for the sale of their produce. Some societies charged commissions and some did not do so but collected with the share instalments one seer extra per maund of the cane purchased.

The market price was paid. The paid officials of the society fixed the dates of supply and organised delivery to the factory. There was one Supervisor to every 25 societies. One pice per maund was charged from the factory and the cost of supervision was met out of this commission.

So far as the supply of cane was concerned, there was no difficulty but the purchase of cane by the factories had not been regular sometimes due to mechanical breakdowns and sometimes because the factory started late.

Cane Development Scheme. Towards the end of 1935, a Cane Development Scheme was initiated by the Government with the help of the Government of India grant from the sugar excise funds.

The aim of the scheme is to develop and improve the natural sugar cane zone round a factory, and to arrange that this cane is cooperatively sold to that factory.

The Government offered to develop the cane in the home areas of the factories which were willing to contribute Rs. 3,000/- a year towards the cost which was estimated at 9,000/- per factory area. The factory had to purchase the cane through a cooperative society and pay commissions on the supply. There was an alternative scheme, also, confined to development only, and in that case the contribution payable was Rs. 6,000/-.

In 1936-1937 there were 23 zones of 2,000 acres each, under one Assistant Cane Development Officer, three Supervisors and nine Fieldmen.

In 1938, the Government decided to develop the factory areas without any contribution from the factories, and since then a considerable expansion of the scheme has taken place.

In the first year a very small area in each zone, usually 200 acres, was put under new varieties of cane, with improved methods of cultivation, in order to demonstrate the utility of the methods on the fields of the cultivators themselves. It was expected that the whole zone will be under a better crop of cane in the third year. It was, also, hoped that the development of sugar cane in the

areas under the development scheme will have good effects on the other neighbouring areas

In 1938, the Sugar Factories Control Act was passed which gave to the cane supply societies a right to get a contract, a right to a reasonable commission a right to equitable purchase and compulsory arbitration. The effects of the Act were highly stimulating and the societies grew in numbers

For the purposes of administration the U P is divided into 6 ranges—Central Western Eastern, mid Eastern, Rohilkhand and Benares Range—each under a Cane Development Officer, the other staff being partly from the Agriculture and partly from Cooperative Departments

A policy of handing over the older cooperative societies for supply of cane to the Development Department has been followed since 1938

The Cane Development Scheme has been highly successful. In 1939-40 the number of zones and sub zones was 136 and the number of villages covered was 13 826. In 1944 there were 87 unions and 4 150 primary societies covering 18,783 villages

(A) Central Sugarcane Development and Sale Societies or Unions The area of operation of central societies is within a reasonable radius of the factory

The objects of the central societies are (a) to improve and develop sugar cane cultivation of their member, (b) to arrange the sale of members' cane to the factory, (c) to utilise for this purpose the scheme of the Government, (d) to arrange funds and to make advances to the members, (e) to adopt measures for the improvement of economic sanitary and social conditions of the members and (f) to assist members to secure facilities connected with better living, better farming activities and marketing

Membership There are 3 classes of members (a) cultivators of sugar cane in the area, (b) sugar mill to which the cane is supplied primarily and (c) any better farming or cane supply society working in the area of operation

All the members have to sign a declaration to the effect that they would abide by the by laws and other instructions of the society

Funds. The funds of the society come from: (a) entrance fees, (b) shares, (c) loans, (d) deposits, (e) Reserve Fund and (f) commissions.

An individual member has to pay an admission fee of at least -/1/-, mill member Re. 1/-/- and a society member -/8/-.

Shares are of the value of Rs. 5, payable in 5 annual instalments. Individual members may nominate their heirs. The share money is returnable within a year of cessation of membership.

Loans can, also, be obtained by the society either from the mill or other agencies. Loans are raised on rates and conditions determined by the Board of Directors, but the rate of interest is not to exceed $7\frac{1}{2}\%$.

The Board may also take a deposit from the mill member, not exceeding Rs. 2,000/-, as a guarantee for prompt payment.

One-fourth of the profits of the society has to be credited to a Reserve Fund which, in course of time, serves as working capital.

The mill member has to pay 1 pice per maund for the supply of sugarcane made by the society or its members.

Loans made by the Society. To an individual member loans for agricultural operations can be made, not more than Rs. 50/- per cultivated acre under sugarcane. In the case of a society the maximum loan that can be given is Rs. 50/- per cultivated acre under cane of the members of that society. The amount can be raised to Rs. 100/- per acre with the sanction of the Cane Development Officer. It is expected that the loans will be repaid out of the price of the cane. The maximum rate chargeable is 9% .

Loans are advanced on the security of sugarcane and personal security of two other members. In the case of a society member, the security furnished by its individual members will be transferred to the society.

Liability. The liability of a mill member or an individual member is limited to Rs. 50/-, and of a society member Rs. 25/- for every member of that society.

Other Features. The members of the society can dispose of their cane only in the manner and on the price approved by the Board of Directors; but 25% of the area can be crushed by the member for manufacturing *gur*.

If a member fails to supply cane, according to the instructions of the Board, a penalty of 11/ per maund may be imposed. The same penalty is payable by the mill also, if it fails to buy. The money may be used for giving compensations.

For contravention of by laws or instruction, on the resolution of the Board a penalty not exceeding Rs 25 can be imposed on a member but in the case of a mill member it can go up to Rs 250.

The mill is required to pay a fair price for the sugarcane which will not be less than the market price. In case of a dispute about the price the matter is referred to arbitration and the prices fixed will not be more than a small sum above the minimum price fixed by the Government.

The mill is also bound to buy the cane produced by the members to the extent of 3/4th of the crushing capacity. The mill cannot purchase developed cane from the area of another central cane society.

A detailed programme of the supply of cane is prepared in consultation with the mill member which can be modified at 48 hours' notice in emergencies. The supply of cane, however should be spread over the crushing season according to the requirements of the mill.

The cane is supplied at the gate of the factory, and at weighments a representative of the society has to be present.

The price has to be paid by the mill within 24 hours.

The mill has the right to refuse purchase if the cane is stale or not properly cut and cleaned.

Among other things, membership ceases by withdrawal in the case of a mill member at the end of 5 years or if the Government scheme is withdrawn from the area.

Administration The general meeting is the supreme authority. It consists of one delegate for every 10 members elected by the village or a society. But no village elects more than two. These members can be replaced by others if the members of the village or the society so desire. They will be liaison members between the central societies and the primary societies or other members of the village.

The general meeting elects some Directors of the Board and one of them as Vice Chairman, and fixes the maximum liability for the year.

Board of Directors. The Board of Directors is the executive body of the society and is composed of (a) 4 Directors, elected by the delegates, (b) 2 Directors, nominated by the mill, (c) 1 Director, nominated by the Controller of Cane Development and (d) the Cane and Deputy Cane Development Officers, ex-officio.

The Sub-divisional Officer is the Chairman, ex-officio.

The Board for the day-to-day administration can form an executive committee of which at least one representative of the mill must be a member. It can exercise those powers which are delegated to it by the Board. The Assistant Cane Development Officer, in charge of the zone, is the Secretary.

Profits. After crediting one-fourth of the profits to a Reserve Fund the remainder can be utilised for the following purposes:

(i) for declaring dividends on fully paid up shares at a rate not exceeding $7\frac{1}{2}\%$,

(ii) for providing improved appliances,

(iii) for better irrigation and transport facilities,

(iv) for special emergencies funds,

(v) for charity, or

(vi) for any other object, with the approval of the Registrar.

The Reserve fund is indivisible.

(B) Cane Supply Societies. The objects of a primary Cane Supply Society are (a) to encourage cultivation of improved cane, to increase the area sown under it and to improve irrigational facilities, (b) to provide improved seed, (c) to teach to the members improved methods of cultivation, (d) to arrange sale of members' produce and settle the rates, (e) to purchase crushers to be sold or hired out to the members, (f) to arrange sale of *gur*, (g) to advance money on the mortgage of the members' crops and (h) in general, to develop cooperative spirit among the members.

Membership. Membership is open to all persons of sound-mind and good character, above the age of 18, residing or cultivating sugar-cane or having landed property in the area of operation.

A member, on admission, must declare that he will dispose of the cane according to the instructions of the society, failing which he will be liable to a fine of Rs. 50/-, and that he undertakes to

follow all instructions of the society failing which he will be liable to a fine of Rs 5. A member of the society is required to submit a true statement of his assets and liabilities whenever required to do so.

Funds The funds of the society are derived from the following sources: (i) admission fees (b) shares (c) loans (d) deposits (e) Reserve and other funds (f) profits and (g) commissions on sales.

On admission every member has to pay an admission fee of annas four.

The value of the shares of the society is only Rs 5, and this amount is realised by transferring 24% of the price of the cane supplied by the member to his share account. The share money is payable after one year in case of resignation, removal or expulsion.

For advances to the members generally, arrangements are made with the central banks or central cane supply societies.

Deposits can also be accepted by the society from members and non-members living within 5 miles of the society. Deposits are refundable only in January and July. Different rates of interest are allowed on deposits on 12 months' notice of withdrawal and on 6 months' notice.

Loans and deposits however should not exceed the maximum liability fixed for the society by the general meeting.

25% of the profits go to the Reserve fund and any other portion of profits which is not distributed can also be used as working capital.

Liability The liability of the members of the society for the debts of the society is limited to Rs 25.

Administration General Meeting The supreme body is the General Meeting. It elects a Committee of Management, the Chairman and the Treasurer. Among other things common to the general meetings it authorises the Committee to purchase the standing crop before it is ripe and offer it for sale to others and fix the rate thereof. It also fixes the scale of *dadri* to be given to members. It authorises the Committee to ascertain the requirements of the members in respect of seeds and implements and to purchase it wholesale to be sold to members on cash. It determines the agricultural implements to be purchased by the society for hiring them out to the members.

Committee. The committee consists of 5 members including the President and the Treasurer. Members have only one vote.

The committee prepares seed indents, realises the price of seed in advance, arranges to supply the seed, sees that members obtaining seed from the society use improved methods of cultivation, estimates the quantity of cane in the fields, recommends the amount of *dadni*, arranges for the advance of *dadni*, sees that members who have obtained *dadni* sell the sugarcane through the society, estimates the sugar-cane crop of the members, arranges the sale of standing crops if so desired, purchases agricultural implements required according to instructions, arranges punctual supply of cane in the stipulated quantity and sees that cane is delivered according to terms.

The Secretary is the chief officer of the society.

Loans to Members. The society finds out the area sown and the approximate quantity of cane to be marketed through it. It estimates the *dadni* required by the members according to the scale fixed, and arranges to distribute it to the members in two instalments based on the 1st and the 2nd estimates in June-July, September and October.

The members have to execute pronotes and to execute a *satta* undertaking to sell a specified quantity of cane to the society or through it, with the condition that if the full quantity is not delivered according to the agreement a penalty of not more than -/1/- per maund will be charged. Every member is responsible to supply the quantity stipulated in the *satta* together with an excess 10% over it, if necessary.

The rate of interest is 12% per annum.

The advance is deducted from the price of cane supplied through the society.

Special Registers. The society has to maintain registers for estimated yield of cane crop and the *dadni* advances, the estimated yield of cane crop and means of transport, the *sattas* and the turns allotted for the supply of cane.

Profits. The net profit is distributed as follows: (i) 25% to the Reserve Fund, (ii) payment of dividends not exceeding 10% of the paid up share capital, (iii) bonuses to members on the basis of the quantity and the quality of cane supplied, provided that the bonuses and dividends will not use up more than 1/2 the profits and (iv) creation of other funds.

The Reserve Fund is indivisible

Progress The cane supply societies organised by the Department before they came under the development scheme, progressed steadily as will be evident from the following figures. In 1931-32 there were only 17 societies including the Cane Union at Ghugli. They supplied 6 000 maunds of cane and earned Rs 1,100 by way of commissions. In 1936-37 the number of societies rose to 514 including 16 Unions. The cane supplied was as much as 127 48 lakhs of maunds and the commission earned 2 41 lakhs.

After 1938 the Development Scheme of the Government of India led to a further expansion of the cane societies as is evident from the following table

Year	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44
Unions	42	66	81	85	86	87
Membership (in lakhs)	3 71	4 62	6 54	6 88	7 25	8 30
Cane Supplied (in lakhs of maunds)	476 0	1 319 2	1 026 9	789 62	1,144 88	1,532 0
No of zones and sub zones	114	119	134	134	134	95 (zones)
No of villages where societies operating	9,594	14 000	14 030	16 122	17 325	18 783
No of factories	49	76	71	69	71	72*
Working capital (in lakhs)		32 60	23 91	43 1	50 77	57 00
Owner capital (in lakhs)		11 83	14 37	20 37	27 42	36 79

N B—There were 4150 primary societies in 1943-44 in the Province

The commission earned by the unions in 1942 amounted to Rs 847 628. Both the total amount of commission earned and supplies to the mills would have been greater but for a large surplus stocks of sugar in the factories godowns. In 1941 the Governments of U P and Bihar adopted a policy of controlling the production of sugar to stabilise the industry. The sugar commission fixed the quantities of sugar to be produced in the

* Three factories are out of Br U P—2 in Rampur one in the Punjab

provinces and production quotas for the different factories. These quotas were later converted into cane crushing quotas.

Besides marketing of cane, the Cane Societies undertake development work also. They have tried to improve cultivation by supplying improved seeds etc. and affect rural development.

Seeds and manures are provided with the help of Government *Takavi* and funds borrowed from the central banks. A great development in the area under improved seeds has occurred. The amounts of *Takavi* loans advanced between 1940 and 1944 have been 2.22 lakhs, .97 lakhs, .99 lakhs, .87 lakhs, and nil respectively.

Other developmental activities of the Societies and Unions are supply of improved implements, improvement of cattle, improvement of irrigational facilities, marketing of other agricultural produce, improvement of cultivation and development of communications. Attention has also been paid to education and health of the people and cattle.

How far these activities have progressed can be judged from the following table:

Year	1939-40	1940	1941	1942	1943	1944
Improved seeds supd. (lakhs of maunds)	35.39	32.19	6.85	37.07	27.50	16.82
Manure (lakhs mds)	1.35	2.02	1.73	1.15	.93	.45
Implements	6,398	57,544	135,264	43,729	27,666	26,504
Roads	Rs. 25,000	970,8 miles	1,415 miles	1,397 miles	Rs. 126,000	Rs. 219,886
Wells constructed and repaired	19	2,133	1,578	742	1,520*	684
Medicine chests	257	758	408	410	—	1,129

The societies have constructed temporary bridges and culverts, provided improved cattle and some time libraries, also. Primary adult schools are maintained and financial assistance is given to educational institutions.

*Figures are not complete.

Due to difficulties in getting materials a large amount in the Road Development Fund could not be utilised.

The factories, also, have begun to take keener interest in the societies and are extending their helping hand to them

From the above it is clear that the cane development and supply societies have proved very beneficial to the cultivators

The success of the societies is mainly due to the keen interest the Government have been taking in the development scheme and the generous help offered by them

(B) Rab and Gur Societies In order to use the cane of the cultivators who could not supply it to sugar factories, Rab making societies were started in 1932-33. Two societies came into existence in the Lucknow and Kheri districts. One more society was added in the Lucknow district the next year. These societies were nothing more than cooperative *Mandals* manufacturing gur or sugar, which was more profitable. They collected cane juice from the members and converted it into rab, gur or sugar and arranged marketing

With the inauguration of cane scheme and the development of cane societies the work of these societies languished as it became more profitable for the members to supply cane rather than juice

In 1938-39, due to surplus production of cane and accumulation of stocks in the mills, attention was again paid to gur production. During that year five central and one primary gur societies were in operation and handled about 29,000 maunds of gur. A gur development and marketing scheme was initiated which encouraged the formation of such societies

The next year, therefore, the number of gur development and marketing societies increased to 11

The societies were organised on the model of cane societies described already. Members of the societies were drawn from a large area and the operation of a single society extended over a number of villages. The societies constructed improved furnaces and improved the quality of gur produced

Another new society was started in 1940-41 bringing the number of societies to 12. The societies were working in the districts of Benares, Ghazipur, Moradabad, Ballia, Cawnpore, Farrukhabad, Bareilly, Lucknow, Naini Tal and Meerut

Cooperative Athat shops known as '*Sabkari Gur Vyapar Mandals*' were opened in the important mandies in these districts to market gur

The gur development scheme was, however, withdrawn by the Government in 1941-42, and immediately the business of the societies declined. The societies have done very little work since then. 'Grow more food campaign' has been responsible for the reduction of area under cane and with the return of normal conditions in the sugar factories the growers of cane can dispose off all the produce to the factories.

Now, that the war is over and the economic conditions must return to normal within a short time, the Department should be ready to organise 'gur societies' in the interior of the districts where cane is grown. In normal times, the total production of gur in the Province is considerable and instead of concentrating on only the factory areas it will be much more beneficial to the cultivators of the Province if attention is, also, paid to the outlying growers.

CHAPTER VI

CO-OPERATIVE DAIRIES AND MILK SOCIETIES

Need In the urban areas, specially the bigger towns of U P milk supply has always been a problem

Fresh and pure milk is difficult to get in the towns and the milk supply is generally adulterated. There is no guarantee also that milk is hygienically handled or free from germs.

At the same time the producers of milk who bring their milk from the neighbouring villages are at the mercy of the *butlers* and milk vendors and do not get the full value of their produce, although prices charged by the milk vendors from the consumers are unreasonably high.

It was to solve these difficulties that cooperative dairies were started in the Province as early as 1911.

History of the Movement The first Cooperative Dairy was established at Benares in 1911. Shares were held by the milk suppliers. Sixty cows and buffaloes were kept 2 miles out of the city and were fed and milked under the manager of the dairy. The milk was then sent to the distributing shop in the city on *ekkas*. As the business of the society increased more shops for the sale of milk were opened in the city.

In 1913-14 three societies in the neighbouring villages started a sale shop at Allahabad. The next year the societies amalgamated into the Katra Dairy Society. The organisation of the dairy was different from that of the Benares Dairy Society. Cattle were brought to the Society for milking and milk was disposed of by the Society.

The same year a Dairy Society of professional milkmen came into existence at Lucknow also. With a grant from the Municipal Board sheds were erected by the Society and also, quarters for the members. The Lucknow Society took up the work of producing cream and butter as well.

With the exception of the Katra Dairy Society at Allahabad which had a chequered career but still exists the societies at Lucknow and Benares after working for some time had to be liquidated.

The Benares Society, even in 1916-17, suffered from a shortage of milk supply and had to purchase milk from non-members, and the same fate was shared by the Lucknow Society. All efforts to improve the societies were of no avail and the Benares Society was closed in 1927 and the Lucknow Society in 1928.

The movement failed because of several reasons. (a) The cost of transportation of milk was very high. (b) There were occasional surpluses. (c) Since the people did not realise the advantages of a pure milk supply sufficiently, they were not willing to pay a better price for the societies' milk and hence the members were not always loyal to the Society. (d) In the type of organisation tried at Lucknow and Benares there were difficulties in obtaining suitable grazing grounds. (e) And many difficulties arose because of the fluctuations in the prices of fodder.

From the description of the earlier attempts to organise milk supply on a cooperative basis it can be seen that two types of organisation were tried in the Province.

In the first type, which is suitable for the professional milkmen, the society maintains the cattle on the premises and arranges to house and feed them. It makes arrangements, also, for grazing grounds for the cattle.

The other type is suitable for agriculturists who live in the vicinity of the town and, by disposing of the surplus milk, supplement their agricultural incomes. Feeding and housing of cattle are not the responsibility of the society. It only arranges to get the cattle milked under supervision and disposes of the supply. Both the types advance loans for the purchase of milch cattle.

The societies which failed were of the first type. This clearly brings out the fact that the second type of organisation was more suitable. The Katra Society would have proved a better success but for the dishonesty of the managers of the society. Since the management was placed under the charge of an official of the Cooperative Department the affairs of the society improved and the society managed to escape liquidation.

The failure of the earlier societies has not been without a lesson. The societies that came into existence subsequently have been organised on the second model. In 1944, there were 3 central and 22 primary milk societies in the U. P. With the exception of the Katra Dairy, Allahabad, the rest of the societies were organised after 1937.

Primary Milk Society Objects The objects of the society are (i) to obtain milk and dairy produce of the members and to arrange to sell them to the consumers (ii) to help the members to improve the stock of cattle (i i) to provide facilities for housing and grazing of the cattle of members and (ii) in general to promote the interest of members

The area of operation of the society is within 5 miles of the headquarters of the society

Anybody who is otherwise qualified to be a member of a credit society provided he lives within 5 miles and owns at least one milch cattle is eligible for membership Others who are useful may be elected honorary members with the approval of the Registrar

One of the conditions of membership is that at least one share will be held

Among other things membership ceases for failure to live within 5 miles and expulsion can take place for failure to supply pure produce or wilful failure to supply milk to the society Any member can withdraw after 6 week's notice

Funds The funds of the society come from shares loans reserve fund and profits

The value of a share is Rs 1/- The sum is payable in a lump sum or if it is not so paid 3 pies per rupee are deducted from the price of the milk supplied by the members and credited to their share account.

The society fixes with the approval of the Registrar the maximum amount it will borrow during the year One-fourth of the profits are credited to a reserve fund which together with undistributed profits can be used as working capital

No member is permitted to have more than 200 shares The total number of shares in a society is undetermined

No loan can be granted to the members from the funds of the society

Administration The General Meeting is the supreme authority In addition to the usual functions of the general meetings it fixes also the maximum rate to be paid to the members for the milk supply and the minimum rate at which it is to be retailed by the society

The Committee of Management is elected by the General Meeting It consists of 5 members including the Chairman. All

members exercise one vote each, no proxies being allowed. No member is permitted to vote in any matter in which he is directly involved.

The committee fixes the price to be paid to the member and the price to be charged from the consumers. It issues instructions regarding the disposal of surplus stock, sees that the milch cattle are kept in sanitary conditions, segregates diseased cattle or asks members to do so, makes arrangement for pasteurisation and sterilisation of milk and production of dairy products if necessary, purchases fodder and feeding stuff in bulk, stocks it and sells it for cash to members, if the members want it, hires or purchases grazing ground for the cattle of members and levies a rate to cover the cost, and acquires shares in the central bank on behalf of the society. The committee may also construct sheds and may require the members to keep and feed their cattle on the premises. Arrangements may be made for the inspection of cattle, and the committee may require that the cattle will be covered by the bulls kept for that purpose.

The chief executive officer of the society is the Manager appointed by the committee. An honorary or salaried Treasurer may, also, be appointed. In the absence of the Treasurer the work is assigned to the Manager.

The society maintains a record of milk testing, the daily yield of milk of each cow or she buffalo and keeps a ledger account of each milk supplier.

Other Features. Milking is carried out by the members at one place in the village under the supervision of the committee.

The members in village societies have their own buckets which are boiled or washed every afternoon with potassium permanganate solution before they are used. They are also instructed to wash their hands and udders of the animals with the same solution.

The milk is then sent in locked cans to the society, to prevent adulteration. From there it is taken to the collecting centres where it is tested with a lactometer and boiled. The hot milk is then put in large cans and sealed for despatch to the union.

Profits. The disposal of profits is as follows:

- (1) 1/4th to the Reserve Fund,
- (2) bonus to members on the basis of the supply of milk and milk products,

(3) dividends on fully paid up shares not exceeding 6½%. The dividends and bonuses should not, however, take away more than 50% of the net profits.

(4) purchase of materials,

(5) for increasing reserves or carrying over to next year's profits.

The Reserve Fund is indivisible and can be utilised in case of dissolution in the same manner as in a credit society.

Central Societies or Unions. The primary societies are, generally, affiliated to a Milk Union.

The most important of the milk unions is the Lucknow Milk Union. Other unions exist at Allahabad and Benares.

It draws its milk supply from the milk societies, members of credits societies and people of a number of villages. It received a grant of Rs. 30,400 from the Government in 1938. With this money milking sheds have been provided in the society villages and up-to-date machinery has been purchased. A motor van has, also, been obtained for transporting milk quickly. It has arrangements, now, for converting milk into butter and ghee. It arranges purchase of good breed of cattle for the members of affiliated societies.

It has established two collecting centres and the distributing centre is at Lucknow.

When the milk is received from the collecting centres it is tested again at the Union headquarters. It is, then, cooled and placed in cold storage. For distribution to the consumers, a door-to-door delivery is maintained by the Union. The milk is, also, sold in the Union itself. Occasionally the carrier's cans are tested by the officers of the Union to ensure that the quality of the milk delivered is the same as that supplied by the Union. It supplied in 1940 about 1/10 of the demand at Lucknow.

The Union supplied 17,408 mds of milk, 71 mds. of butter and 50 mds. of ghee in 1941-42. In 1942-43 the manufacture of butter had to be given up due to a shortage of supply. In 1944 the total supplies of the Union did not exceed 9,953 mds.

Due to the military demand recently there has been shortage of milk supply in the Union. The Union has to compete with military contractors who offer better prices. There is some difficulty regarding transportation of milk as well. Otherwise, the

Union has been working quite successfully. The Union purchases milch cattle of improved breed from the Punjab and supplies them to the members of the societies on credit. This amount is recovered from the sale proceeds of the milk every tenth day over a period of 3 years. For effecting improvements in the breed proper selection of an indigenous type will be more useful.

The other milk unions at Allahabad and Benares have been working on the same lines as the Union at Lucknow and, in course of time, it is expected that they will become as successful as the Lucknow Union.

Objects of the Union. The objects* of the union are (i) to purchase improved cattle for the members, (ii) to supply pedigree bulls, (iii) to teach scientific methods of feeding, (iv) to purchase fodder etc. wholesale and distribute them, (v) to encourage production of fodder, (vi) to lease pasture lands and arrange to maintain dry animals of the members of the societies on these lands, charging moderate fees for their upkeep, (vii) to collect and transport milk of the members and sell it, (viii) to test the milk, (ix) to guarantee purity of milk, (x) to organise consumers' clubs, (xi) to open milk bars, (xii) to open depots for collection and sale of milk, (xiii) to encourage members to establish dairy farms with modern plants for pasteurising milk and producing butter and other products, (xiv) to organise cattle and baby shows and (xv) to construct milking sheds.

Membership. The membership comprises individuals and societies who undertake to supply milk or its by-products to the union.

Any person who is desirous of delivering dry cattle for maintenance or milk for sale can become an associate member. The associate members have to pay the charges for maintenance of animals and, in addition, Re. 1/- annually. They have to pay a commission of $6\frac{1}{4}\%$ on the sale proceeds of the milk arranged for sale by the union. The associate members have no right to vote and do not get any share of the profits.

Administration. The General Meeting consists of all individual share-holders and one delegate appointed by each affiliated society.

Board of Directors. The general meeting elects a Board of Directors of not more than 11 members. Five of these must be

* According to By-laws

representatives of cooperative societies. Two are elected by individual share holders and two are nominated by the Registrar. One of the Registrar's nominees is technical and the other a financial expert. The Board can coopt two persons interested in dairy industry and milk trade.

After working for sometime the Lucknow Milk Union has evolved certain business principles which are equally applicable to other unions also.

A collecting centre, according to the experience so far should select 15 to 20 villages having a regular supply of $1\frac{1}{2}$ to 2 maunds of milk. A local secretary should be available to keep the accounts in the village and should be paid Rs 2 to 4 per maund of milk supplied. Village carriers should be paid according to distance and the quantity of milk transported. A collecting centre, thus should be able to have 20 to 30 maunds of milk per day. The cost of processing should be reduced as far as possible.

A distributor in the city should be able to deliver $1\frac{1}{2}$ to 2 maunds to the consumers. The cost of handling milk should not be more than Rs $1\frac{1}{2}$ per maund.

These principles are followed by the Lucknow Milk Union. The overhead charges have been considerably reduced.

The business turn over of the milk societies in 1945 was Rs 6.72 lakhs.

The reason of success of the new milk societies lies in the fact that people have now begun to appreciate the advantages of a good milk supply and are willing to pay a better price for good milk. Transport facilities have also improved due to Government grant and the cost of transportation is not very high. Apart from this probably the main factor responsible for the success of the movement has been the adoption of the type of organisation which is the most suitable for a very large number of milk producers.

Milk supply societies can with advantage be extended to other areas specially in the neighbourhood of the bigger towns of U P. Unless the means of transport are fairly rapid the sources of milk supply will have to be within easy reach of the town so that milk reaches fresh to the town and can be delivered. With quicker transport and cold storage vans distance will not be a deterrent factor and the more these facilities become available milk supply can be organised in a larger area. Post war development may usher these conditions in U P and the milk societies have a bright future.

CHAPTER XII

GHEE AND KHOYA SOCIETIES

(A) Ghee Societies. Ghee is an important part of diet of the people of U. P. It is the chief medium of cooking and almost the only fat giving article consumed by the people. At the same time, ghee making is an important source of supplementary income to a very large portion of agriculturists.

Marketing of ghee, however, has been almost entirely in the hands of middlemen. This system of marketing has given rise to two very serious defects. The ghee merchants adulterate the ghee with either vegetable products or some other cheap foreign fat, and it is almost next to impossible to get pure ghee in the market.

The consumers, on the other hand, have to pay high prices for even this adulterated ghee. The producers, however, do not get the advantage of these prices. They generally get upto Rs. 25 per maund less than the price the consumers have to pay.

Thus, neither the producers nor the consumers get a fair treatment at the hands of the middlemen who have been growing fat at the expense of both.

It was with the double object of ensuring supply of pure ghee and getting the highest possible price for the producers that Ghee Societies were organised on a cooperative basis.

The first attempt to organise a ghee society was made in 1913 and a society came into existence at Chaubepur in the Benares district. Subsequently, societies were organised in the districts of Allahabad, Agra and Aligarh.

The following table* will show that Ghee Societies worked in very limited areas.

Year	1913	1914	1915	1916	1917
Number of Societies	1	4	3	4	3
Year	1918	1919	1920	1921	1922
Number of Societies	5	5	5	5	4
Year	1923	1924	1925	1926	
Number of Societies	4	3	3	—	

* Based on Annual Reports of Cooperative Societies in the U. P.

These societies were in most cases, only credit societies and advanced loans to the ghee producers. The prices of ghee were low and some of the societies did not pay the prices regularly. In spite of a great demand from the Army for ghee the societies could not take advantage of it to improve and stabilise themselves and were declining by 1921-22. Famine conditions in 1919, were responsible for a severe shock to the societies from which they could never recover and finally all of them disappeared in 1926.

Disloyalty of the members was the chief reason for their disappearance.

Till 1930 no further attempts were made to organise new ghee societies. In 1930 a new experiment was tried at Agra and a ghee sale society was organised. Under this system the members were given a certain amount by the society and undertook, in return to supply a fixed amount of ghee. The society sold the ghee as it liked. A part of the profit was returned to the members in the shape of bonuses.

Ghee Sale Societies The objects of the society are (a) collection and sale on commission of the ghee and other dairy produce of the members and (b) improvement of milch cattle by advancing loans for the purchase of cattle and by other methods.

The area of operation of the society is generally one village. Membership of the societies is open to all persons, qualified under the provisions of the Act living in the area and possessing at least one milking cow or buffalo.

Among other things if a member ceases to own a milch cattle permanently, he ceases to be a member of the society.

All members must hold at least one share each.

Funds of the Society The capital of the society is composed of the following (a) shares (b) deposits from members (c) deposits and loans from non members (d) Reserve and other funds and (e) profits.

The value of a share is Rs 10. Rs 5/ is payable on admission and the rest as and when called by the committee. For failure to pay the instalment within a month of call a member may be fined 2 pies per rupee for every month the instalment is overdue. The society may deduct 2 pies per rupee out of the price of the ghee supplied by the member and credit it to a member's share account.

Not more than one share can be held by a member and if, somehow, a second share is obtained the society may buy the share or cause the share to be sold to an approved person."

Shares can be transferred only to a person qualified to be a member and approved by the committee. It can be returned, in case a member dies and the nominee is not admitted to the society, within 6 months and in other cases after 2 years.

Deposits from members are not considerable and from non-members are subject to restrictions imposed by the Registrar. The maximum liability is fixed every year by the general meeting.

Loans, if required, are generally forthcoming from the central bank.

1/4th of the profits go to the Reserve Fund.

Liability. The liability of the members for the debts of the society is limited to Rs. 50/-.

Administration. The General Meeting of the society has the same functions as in credit societies. All members have only one vote.

The Committee of Management consists of, at least, 5 members including the President and the Vice-President who should be above the age of 21.

It decides the terms and the period for which loans can be given and the deposits received. The committee fixes the rate of commission, the rates at which ghee and other dairy produce are to be bought and sold, arranges testing, grading, cleaning, storage and sale, watches that milking animals are kept under good conditions and sees that loans are not misapplied.

The Secretary, appointed by the committee, is the chief executive officer of the society.

Loans. Loans are given to the members of the society for the purchase of milch cattle—not more than -Rs. 150/- for the purchase of a buffalo and Rs. 80/- for a cow.

The member borrowing has to execute a bond and furnish a security. But a member of the committee can not be a security for another.

Loans must be used for the purpose for which they are taken. In the case of misapplication the loan must be recalled immediately.

It can, also, be recalled if the financial position of the member is found to deteriorate.

The rate of interest on loans is $12\frac{1}{2}\%$.

The fund of the society can also be used for building sheds and godowns.

Utilisation of Capital. At the discretion of the committee, 75% of the value of the produce can be advanced to the members bringing ghee to the society for sale and an interest of $12\frac{1}{2}\%$ is charged on it.

Other Features. All the sales are made for cash except to a Government Department. Members are bound by all the instructions of the committee regarding grading and the bulk of produce. To create bulk, produce of non-members may, also, be purchased by the society. The society charges commission, some times, on sales as fixed by the general meeting. It may join in cooperative sale with other cooperative societies.

As soon as a milch cattle of a member calves, the society enters into a contract with him for a fixed quantity of ghee. The contract money is paid in a lump sum. The member, on his part, undertakes to sell the ghee through the society. Ghee is weighed fortnightly by the committee. Only unadulterated ghee is accepted. The price paid is generally Rs. 8-10 less, than the market price. The society sees, specially, to the proper weightment of ghee. Under this system the union acts only as an agent of the primary societies for the marketing of ghee. This system prevails in the Agra circle.

In the Meerut circle, another system obtains. There, the cooperative society contracts with the members for the purchase of ghee at the prevailing market price in the village. Purchases are, thus, made at different rates according to the fluctuations in prices. Advances are made by the society on interest, realizable on *Ugahi* system. The rate of interest works at $18\frac{3}{4}\%$. The society acts as an agent of the union for the purchase of ghee.

The second system seems to be a better one as it is more according to business principles and should be universally adopted subject to changes according to local conditions.

Profits. Profits are disposed of in the following manner:

(a) $1/4$ th to the Reserve Fund, (b) bonus according to the value of ghee supplied by the members, (c) dividend on fully paid up shares,

not exceeding $6\frac{1}{2}\%$, provided not more than 50% is used up in bonuses and dividends, (d) for increasing reserves and carrying over to next year's profits.

After the dividends have been paid, $7\frac{1}{2}\%$ may be set apart for poor relief, education, medical relief or any other public utility.

The reserve fund is indivisible and can be disposed of as in a credit society, after dissolution.

The number of these societies has been steadily increasing since the first society was started in 1930. By the end of that year 6 societies were working in Agra. The number has increased as follows in the subsequent years.

<i>Years</i>	<i>1931</i>	<i>1932</i>	<i>1933</i>	<i>1934</i>	<i>1935</i>
No. of societies	11	19	24	30	35
<i>Years</i>	<i>1936</i>	<i>1937</i>	<i>1938</i>	<i>1939</i>	<i>1940</i>
No. of societies	44	153	277	392	607
<i>Years</i>	<i>1941</i>	<i>1942</i>	<i>1943</i>	<i>1944</i>	<i>1945</i>
No. of societies	693	700	727	792	882

With the registration of a Ghee Sale Union at Chaubon-ka-Pura in Agra and subsequent establishment of other unions at different centres of the Province the sale of ghee has become more organised. Even before any union was started the produce used to be disposed of in big markets, like Etawah, and retail sales were discouraged. This tendency has been accentuated by the unions.

Government grant in 1936-37 enabled the Department to train supervisors for the Ghee societies and some of the unions purchased refractometers, also. The Provincial Marketing Board set up a ghee grading and testing station at Shikohabad. Since then, the ghee of the cooperative societies has acquired a reputation for purity and is in great demand in the market. The increase in the Government grant from Rs. 12,500 to 25,000 in 1939-40 stimulated the movement still further.

The Union. A union has a long list of the objects.

(1) It links the ghee societies affiliated to it with the central bank of the area.

(2) It collects ghee from the ghee societies.

(3) It tests the purity of the supply.

- (4) It arranges temporary storage of ghee
- (5) It cleanses, grades, despatches and sells ghee of the societies in the best markets
- (6) It opens retail ghee shops and appoints agents in the ghee markets
- (7) It realises the price and pays to the societies or the central bank
- (8) It improves the method of keeping milch cattle
- (9) It arranges for expert medical advice for prevention of epidemics
- (10) It arranges to supply stud bulls and fodder and feeding stuffs for the milch cattle
- (11) It develops ghee societies and opens new ones in its area, and (12) improves cooperative education among the affiliated societies

Membership is open to all ghee societies situated within the area

Duties of Affiliated Societies The affiliated societies are required to conform to all the by laws of the union and carry out all instructions issued by it, from time to time. Any statements or reports required by the union must be submitted. The societies have to give all facilities of inspection to the persons deputed by the union for this purpose and must send delegates, when required.

Rights of the Societies In return, the societies can demand supervision of their accounts and general management. They also, have the right to get advice on any matter connected with the business of the society and general education in cooperation from the union.

Funds The funds of the Union are derived from the following sources

(a) Admission fees, (b) Contributions (c) Commissions, (d) The Reserve fund and (e) Reserve fund of any other society transferred after dissolution

Every member of the society has to pay an admission fee of Rs 5/. The fee is not refundable and is levied once for all.

Contributions are levied on the societies at a rate determined by the general meeting of the union. The societies contribute Rs 1/8 per maund of the ghee contracted to the union.

A part of the capital also comes from commissions, if the union undertakes to work as an agent of the central bank for disbursing loans and receiving money from the societies. The terms are mutually settled and have to be approved by the Registrar.

25% of the profits is credited to the Reserve fund. The Reserve fund of any society which is liquidated may also be transferred to the funds of the union, with the approval of the Registrar.

Liability. The liability of the members for the debts of the union is limited to Rs. 10/-

Administration. The General Meeting consists of one nominated delegate from each of the affiliated societies and 3 persons nominated by the central bank. Not more than 2 leading businessmen of the locality can, also, be coopted to the general body.

Every member enjoys one vote. The quorum consists of at least half of the representatives of the affiliated societies and at least one nominee of the central bank.

The General Meeting should be held at least twice a year, in August and February. It is, also, held if either the executive committee of the central bank, the Registrar, or three members representing societies demand it.

The General Meeting draws up regulations which the affiliated societies have to follow. It has to elect the Committee of Management and the Chairman of the union for a year.

The Committee of Management is composed of 5 members, 3 elected by the representatives of the societies, one nominated by the central bank and one coopted from among the officials of the Cooperative Department. The committee elects its own Chairman.

The Committee is authorised to do its utmost to achieve the objects of the unions. In particular, it inquires into all applications for loans, reports on them to the central bank and disburses the sanctioned loans as an agent of the bank. It endorses the pronotes executed by the society in favour of the central bank and sees that the instructions of the Registrar and the regulations laid down by the union are followed strictly. It tenders its advice on the normal credit of the societies.

The Chairman may be authorised to exercise the powers of the Committee in emergencies subject to the approval of the Committee subsequently.

The chief executive officer of the union is the Secretary

The western districts of U P, being the chief ghee producing areas, the development of ghee societies and unions has taken place in those districts. The societies are spread over 13 districts and in 1944 there were 9 Ghee Unions working in the Province. Most of the societies are affiliated to the unions. Agra, Etawah, Meerut, Bulandshahr and Mainpuri are the districts where a large majority of societies is situated. The union fixes 2 days in the month for each society for the collection of ghee. On the fixed day the collector goes to the society with balance, weights and containers. The members bring their ghee to a central place.

Many of the unions possess refractometers. The introduction of vegetable ghee has increased the chances of adulteration considerably. Special measures for testing are, therefore, taken. The societies despatch ghee in sealed tins and the ghee is subjected to a double test. It is tested by the Committee of the society which applies a rule of thumb which is fairly accurate and, again, by the union with the refractometer. There are Ghee Merchants' Associations at important *mandis* which provide testing and grading facilities. Some of the unions have received a grading license and are entitled to fix 'Agmark' on their tins. A ghee grading station has been established at Ballia also.

A portion of ghee is sold to the consumers direct but a major portion is sold in the *mandis*. Some of the unions have opened retail shops in the cities to maintain direct contact with the consumers. Unless the tests have been applied and the ghee found upto the standard it is not placed in the market.

That the unions and the ghee societies have been doing useful work can be seen from the following table

Year	No of Unions	Amount of Ghee sold	Profits Rs
1936 37	2	1,981 mds	18,476
1937 38	4	4,305 "	20,000
1938 39	5	4,870 "	28,565
1939-40	6	6,367 }	50,361
1940-41	8	4,000 }	9,000
1941-42	9	5,889 "	43,080
1942-43	9	6,105 "	136,986
1943-44	9	2,545 "	51,927

The figures show a drop in the quantity of ghee handled by the societies and unions. This was due to the abnormal rise in the prices of ghee which made the producers sell their ghee to outsiders. But it is only a temporary set back.

(B) Khoya Society. During 1939-40 a new scheme, of converting milk of the members into khoya and selling the product, was started at Rampur-Garhwan in the Unao district. During that year, 18 societies were working covering 32 villages. The societies set up 12 centres for converting milk into khoya. The members brought their milk to these centres where khoya was produced. 3,628 mds. of milk was converted into 907 mds. of khoya and the net profit of the societies was Rs. 383/8/-. The societies supplied to the members more than 100 heads of improved cattle.

The next year, the scheme was extended to Sandila (Hardoi) under the Sandila Marketing Union. The number of khoya producing centres rose from 12 to 30. The Unao societies increased the centres from 12 to 18, covering 40 villages; and 12 new centres came into existence under the Sandila societies. The total amount of khoya produced by the societies was 1967 mds. and the societies earned a profit of Rs. 1,820.

The khoya produced by the societies is sold at Lucknow and Cawnpore. An experiment was made to sell the khoya in the Calcutta market in order to secure better prices, but it did not succeed. The best markets for sale of khoya in Calcutta are from August to November when the markets are dull in Lucknow and Cawnpore. The distance, however, makes marketing difficult. Khoya keeps good for only 36 hours and then begins to deteriorate. It is difficult to ensure, therefore, that khoya reaches Calcutta in good condition.

In the subsequent years khoya societies have worked only in the same districts and the scheme has not been extended to other districts. Selling of khoya at Calcutta has been discontinued due to transport difficulties but Dehra Dun has become a customer of the societies as khoya reaches Dehra Dun within 24 hours, and is quite fresh.

Paid servants bring the khoya to Lucknow and Cawnpore markets and sell it there.

Constitution and Working of Khoya Societies. The objects of khoya societies are (i) to arrange to purchase milch cattle of good breed, (ii) to arrange to purchase fodder etc. and to lend

funds at low rates on the security of cattle, and to recover it from the price of khoya sold through the society, (iii) to lease grazing grounds, (iv) to ensure that milk of diseased cattle is not turned into khoya and that such cattle are segregated, (v) to purchase non members' khoya, if necessary, (vi) to arrange to supply good bulls for breeding purposes, (vii) to open 'gosh's', i.e., centres for the manufacture of khoya and (viii) to arrange sale of khoya on commission basis or otherwise

Membership There are 3 classes of members in a khoya sale society—(A) Borrowing members who borrow for the purchase of milch cattle and fodder etc (B) Those who sell khoya to the societies (C) Those who bring khoya to the societies to be sold on a commission basis

Membership terminates, among other things, if a member remains without a milch cattle for 3 years

Funds Funds of the society come from (a) shares, (b) membership fees, (c) loans, (d) deposits, (e) Government grants, (f) donations, (g) reserve and other funds and (h) profits

Every 'C' class member has to pay a fee of -/8/- annually. This fee is not charged from 'A' or 'B' class members

'A' and 'B' class members have to hold at least one share in the society and as many more as determined by the society on the basis of their 'baustiyat'

The value of shares for 'A' class members is Rs 20/. The amount is payable in instalments of Re 1/ per crop

The value of shares held by 'B' class members is Rs 5/, payable in instalments of /4/ per crop. The instalments are deductible from the price of khoya

No member is permitted to hold more than 1/5th of the shares or shares of the value of more than Rs 1000/

Contributions may be demanded by the society on special occasions

Liability The liability of 'A' class members is limited to Rs 50/ and that of 'B' class members to the nominal value of the share held

Loans Made by Societies 'A' class members can borrow for the purchase of cattle and fodder and to meet the expenses in the

case of sickness of cattle. Such loans bear interest at a rate not exceeding 12 $\frac{1}{2}$ %, and are repayable by monthly instalments within 3 years. In special cases loans can be given for a period of 5 years also.

Administration. The General Meeting is the highest authority. It elects a Committee of Management for carrying out the administration of the society. In the Committee of Management there has to be a representative of each 'gool'. In addition, 3 members are coopted, one representative of the central bank concerned, the Circle Inspector and a person interested in the movement.

The Committee of Management is charged with the duty of doing all it can to achieve the objects of the society.

The Supervisor is the Secretary of the society.

Business Rules. The Committee carries out a census of all the milch cattle in June, and determines the yield of the different cattle. It finds out which cattle are uneconomical, advises the members accordingly and arranges to purchase good cattle for the members.

The Committee keeps a good stud bull to improve the breed and fixes the covering charges. Members contribute -/4/- to Re. 1/- per cattle, per year, for the maintenance of the bull. Fee for non-members is Re. 1/-. The bull is changed every 3 years.

The Committee ascertains, also, the number and type of cattle the members require and finds out how far the members will be able to invest and to what extent capital will have to be arranged for.

Whenever a loan is advanced for the purchase of cattle the cattle have to be mortgaged to the society. Even when such loans have been paid off and the member is permitted to sell his cattle, 1/4 of the price has to be kept as a deposit towards future purchases.

Contracts for the supply of khoya are made at the market rates.

Milking centres are provided and so all 'gools' where the khoya is manufactured.

The society forces members to raise fodder crops.

Profits. 25% of the net profits at least is credited to a Reserve Fund which is indivisible. A dividend, not exceeding 10%, can

be declared if the profits permit. A portion of the profits can be used for distributing bonuses to the members and a part can be diverted to a charitable purpose.

Where surplus milk is available conversion of milk into khoya will prove a profitable side business for the agriculturists. The benefits of khoya societies will be specially great in those areas which are not within easy reach of the towns. Khoya is an article everywhere, even in small towns, which is in good demand for Indian sweets. If, therefore, khoya societies are started in large numbers, marketing of khoya will not present any serious problems. At the same time the society will bring immeasurable advantages to the poor agriculturists.

Expansion of these societies, therefore, deserves special attention from all interested in the welfare of the agricultural classes.

CHAPTER XIII

COTTON PRODUCTION AND SALE SOCIETIES

Besides sugar cane, cotton is another cash crop in some of the districts of U. P. The demand for cotton has increased considerably during the last two decades from the cotton mills of the country. In spite of the increased demand, however, the growers have not benefitted to any considerable extent. It has been due, mainly, to the fact that the marketing of cotton is almost exclusively in the hands of the middlemen.

The growers suffer from the usual handicaps. Quite often before the produce is ready for sale, the growers, being indebted to the dealers, pledge to market their produce through them and are, thus, prevented from getting the market price. Even if they are free to market the produce themselves, they are subjected to many unauthorised deductions and are cheated in weighments and price fixation. Once the produce is brought to the market there is no option but to sell it the same day in the absence of any storage facilities.

There is a further difficulty also. The cotton grown is generally short staple cotton for which there is not much demand. The Agriculture Department has been trying to popularise new varieties of cotton. Cotton No. 'C 402' of long staple was introduced in the Hardoi district being in great demand by the mills. 'The cultivators being ignorant mixed it with ordinary cotton produce and did not get its full value'.

It is to improve the quality of cotton and to secure the best possible price for the growers that cotton production and sale societies are necessary.

A few societies have been organised in the U. P.

Objects. According to the U. P. By-laws the society covers a district, a tahsil or a village.

The objects of the cotton production and sale societies are two-fold—improving the production, and organising sale.

*Speech by Dr. S. B. Singh at the Cooperative Conference, 1935.

COOPERATIVE MOVEMENT IN U P

The Society at Bilgram has managed to exist table¹ will indicate the fortune of the society

The following

Year	Cotton purchased	Premium	Profit Rs	Bonus Rs.
				2 500
1931 3	68 Mds	4	+5,133	
193 33	310 Bales	114/	-550	
1933 34	4 000 Mds		+5 154	
1934 35			+12 000	
1935 36	5 800 Mds		+4 000	900
1936 37	1,169	10°	+2 998	1/4
1937 38	3 500		+4 000	per md
1938-39	6 11°	12 to 15°	-608	
1939-40	175		+2 9	
1940 41	+13 480 grain			

It can be seen at a glance that the society had a chequered history. This is in the very nature of the produce Cultivation of cotton depends a good deal, on the monsoons Too much rains and famine conditions both, have a very bad effect on the crop and whenever losses were suffered they were due to such conditions Cotton is, again, a highly speculative commodity In some years the society had to suffer a loss because the prices dropped down suddenly A lag between the purchase of cotton and its marketing is inevitable because the society processes cotton before it is offered for sale and losses due to a drop in the prices are to be expected occasionally To guard against this the society tried hedging against *Breath* cotton successfully To create bulk, the society sometimes purchased cotton from non members also and in later years it added marketing of grain to its business Since 1942 it has given up marketing of cotton

But even in those years when the society actually suffered a loss the benefits to the members were considerable Since the price is paid immediately the growers received a price which was better than the prevailing market rates and they were saved unauthorized deductions and cheating in weighments

The development and marketing scheme of Perso American cotton was intensified in 1942-43, and purchases were made through Hapur and Sikandrabad Unions and Cotton Sale Society, Aligarh The total cotton purchased amounted to 3 298 mds

During the year 1943-44 although there were only 3 purely cotton societies—Aligarh, Bulandshahr and Bilgram—marketing

¹Based on Annual reports of cooperative societies in U P

Unions at Hapur, Sikandrabad, Hathras, Kasganj, Muttra and Kosi had, also, taken up cotton production and sale. They distributed 3,000 mds. of seed and purchased 12,426 mds. of cotton. A deferred payment scheme is in operation according to which people joining the scheme get better prices for cotton.

Cotton sale societies have been a special contribution of Bombay to the cooperative movement in India.

The societies charge for ginning and baling and sell superior cotton by auction on the premises and inferior cotton by private arrangements. They arrange for funds, to be advanced to members pending the sale of their cotton, from the central Banks.

In 1938-39 there were 34 cotton sale societies in Bombay. They marketed 6 56 lakh maunds of cotton and realized Rs. 38.72 lakhs.

Defects and suggestions. Where cotton production and sale societies have failed to work satisfactorily it has been mainly due to four reasons. Firstly, cotton being an agricultural crop, it is subject to vagaries of rainfall and seasons. Secondly, production of the right type of cotton has not been kept pure by the members of cotton societies. A third factor is the disloyalty of the members who sell their produce outside the society. But, probably, the most important cause is that the society bears the entire risk involved in the marketing of cotton. The society purchases the produce outright and pays a price to the growers which is better than the market price. Cleaning, ginning and pressing take some time, and, in the meantime if the prices fall the entire loss has to be borne by the society. The producers do not share the loss except in as much as they do not get a bonus.

So far as the dependence of the crop on rainfall is concerned, although damage from excessive rains cannot be avoided, harm done by scanty rains can certainly be minimised. What is needed is proper irrigation facilities. The societies would do well to provide facilities to the members for the construction and repairs of wells in the areas where improved cotton is grown.

As regards the maintenance of the purity of the produce, the societies should enforce their by-laws more rigorously. The management of the society should see to it that inferior cotton is not mixed with improved cotton and the improved variety is sown separately. It should be constantly impressed on the

growers that the advantages of better prices can be obtained only if the quality of the produce is maintained

Similarly, to secure loyalty of the members, help of the by-laws should be taken and strict action must be taken against members selling their produce out side the society

If people join together for the disposal of their produce it is but fair that they should assume the risks involved in marketing of a highly speculative commodity like cotton. The system of outright purchase should, therefore, be replaced by sales on commission. The societies should make proper arrangements for the storage of cotton. When the members bring their produce to the society it should be weighed and the weight entered in the pass book of the member. An advance upto 50% of the value of the produce brought to the society should be given against the produce. The society should, then, undertake processing and recover the charges from the members from their sale proceeds. When the cotton is ready for sale arrangements should be made to dispose of the produce at the most advantageous terms. A commission should be charged for this service by the society. The sale proceeds minus the commission and the processing charges should be paid to the members after deducting any advances that may have been made by the society. If the prices fall suddenly, a part of the losses will be borne by the members, and if the prices rise, they will have more profits. The society's position will not be jeopardised in any case.

If these measures are adopted cotton sale societies are bound to improve and increase in number.

CHAPTER XIV

INDUSTRIAL SOCIETIES

India, in the past, was a cradle of cottage industries. The U. P., among the provinces of India, occupied a place of pride on account of the fine products of its cottage industries. The Benares silk and the Lucknow chikan were not only famous all over India, they were well-known in foreign countries also.

With the loss of patronage, due to the disappearance of the Native Courts and competition from the cheap machine made goods of the west, the Industries in the Province were hard hit and began to decline.

Many cottage industries have, however, managed to survive and still offer employment to millions of people. But the condition of the people engaged in cottage industries has been steadily deteriorating and cottage workers can now, with great difficulty, only eke out a bare living.

In view of the facts that cottage industries in the Province are a source of supplementary income to a large number of agriculturists and their disappearance will mean an extra pressure on land which has already to support too many people, the rehabilitation of the cottage industries is a pressing problem.

It is quite true that every industry has its own problems which are different from the problems of other industries. But there are certain problems which are common to all of them.

Difficulties of the cottage workers. The main difficulties of the cottage industrialists are in matters of finance, raw materials, improved tools, and the marketing of finished goods. There is, also, a lack of proper patterns and designs and organisation for instructions in the same.

'Conservatism, unreliability, obstinacy, suspicion, and illiteracy of the cottage worker,¹ have stood in the way of a successful solution of many of these difficulties.

There is no suitable agency for providing finance to the cottage workers. In the absence of such an agency they have,

¹ A paper by Mr. J. R. Srivastava on Coop. Dev. of cottage Industries in the U. P.—Bombay Coop Quarterly June-Sept. 1935.

generally, to take advances from the dealers who, in addition to charging high rates of interests force the cottage workers to sell the finished products either to or through them. Needless to say, the cottage worker never gets the full value of his products.

In obtaining the raw materials for his trade, also, a similar difficulty exists. The cottage workers being illiterate they neither have a knowledge of the prevailing prices nor of the markets where the purchases can be best made. Even if they have the information their inability to pay cash forces them to take resort to the ever willing *Bania* or the *Mahajan* who is prepared to give them credit facilities. Under such a system raw materials of an indifferent quality are obtained at high prices.

So far as the sale of the finished products goes, that too is completely unorganised. Even if the cottage worker is otherwise free to market his goods he has to sell in local markets and has not the means to take his goods to the better ones.

The actual price which the cottage worker, therefore, gets for his product in view of the high cost of capital and raw material, leaves him no margin for profits.

If the cottage worker has to compete with cheaper machine goods not only must he improve his technique of production and use labour saving devices, he must give up old patterns and designs which have grown out of date, and adopt fresh ones.

It was long realised that the only way to improve the conditions of the cottage workers was application of the principles of cooperation to the cottage industries.

Other countries like Germany have solved the problems of cottage industries on cooperative lines and have clearly demonstrated that there is not one single problem which is incapable of a solution.

The working of the societies in Western countries shows that not only industrial production can be undertaken on a cooperative basis cooperation can help the Industries in the following ways (a) by providing cheap finance to the cottage workers, (b) by organising purchase of raw materials and tools so that quality is guaranteed and the requirements are purchased at a moderate price, (c) by organising sale of finished products and enabling the cottage workers to wait for a better price, (d) by holding exhibitions of the cottage products and thus advertising them and (e) by circulating new designs and patterns according to changes in taste and fashion.

Early attempts. In U. P., a few years after cooperation was officially recognised, weavers' societies were established, and a silk weavers' association was organised at Benares. The object of the association was the sale of finished products. In 1908-09 in Benares societies were organised for shoe-makers, tanners, cabinet-makers and brass-workers. The next year a cooperative yarn store was opened at Sandila and another at Tanda. 1913 saw the establishment of a carpenters' workshop at Bareilly. The durrie and pugree makers at Agra, also, subsequently started a store and credit societies. In 1928 a federation of weavers' societies came into existence at Barabanki to supply raw materials and arrange for the sale of finished products. Many open-pan factories and a closed-pan factory at Biswan were tried and a few Rab and Gur-making societies were also established, and the blanket weavers of Najibabad, and the glass workers of Nagina were organised into a production and sale society.

Most of the earlier attempts to organise the cottage workers, however, met with failures. The Silk weavers' association came to a premature end due to fraud, mismanagement, party factions and favouritism. The Weavers' Bank at Sandila had to be closed down due to trade depression and embezzlement, and a reorganisation had to be undertaken. The open-pan factories and the closed-pan factory at Biswan all disappeared and the Rab and Gur Societies met with no better fate.

The societies which managed to escape extinction were those whose main business was confined to credit. Supply of raw materials and tools and sale of finished goods were indifferent even where they were undertaken.

(A) Weavers' Central Stores. The only industrial stores which have been able to do some work have been the Weavers' Stores. The chief centres of their activity have been Benares, Sandila, Tanda (Fyzabad) Barabanki, Basti, Gorakhpur, Etawah and Azamgarh districts. In these districts there are central, and primary stores for the weavers and Weavers' Societies. Even the weavers' stores did not have a smooth sailing throughout their existence. The stores have been seriously affected by the trade conditions. For example, during periods of depression many a store has been on the verge of collapse. Similarly, internal dissensions have, some times, been responsible for heavy losses. It is only with tactful handling and outside assistance that the stores have frequently been pulled out of an awkward situation. Occasional orders from Government, Government subsidies and

orders from the Stores Purchase Department and the U P Arts and Crafts Emporium have kept the stores going

During the last war in the beginning the existence of the weavers stores was very seriously threatened by the shortage in yarn supply. The war orders however which the Cooperative Department was able to secure for the supply of war materials came to the rescue of industrial stores and gave them a new lease of life

Constitution and working of a Central Weavers' Store The objects of the store are (1) to finance supervisory audit and develop weavers cooperative societies registered under the Act (2) to stock and supply yarn and other raw materials to the members of the affiliated societies and its own members and to arrange for dyeing of yarn locally (3) to arrange sale of cloth manufactured by its members both societies and individuals, (4) to develop weaving industry and adopt measures to secure this end by placing orders for the manufacture of new patterns and designs with the members of affiliated societies or by starting a factory for the benefit of the members, (5) to spread primary and technical education among the members children and (6) to encourage thrift and self help and cooperation

Membership The membership of the society is open to weavers societies registered under the Act and individual weavers also

Capital The funds of the store consist of share capital deposits loans grants reserve and other funds

There are two classes of shares (a) society shares and (b) individual shares

The value of A class share is Rs 20/- Rs 10/- is called in 5 half yearly instalments of Rs 2/- and Rs 10/- remain a reserve liability to be called in case of liquidation or on a resolution of a General Meeting convened for this purpose. Such shares are neither transferable nor withdrawable except when the society is dissolved or becomes affiliated to another central society. In the latter case the shares are transferred to the new central society

The individual shares are held either by small yarn dealers of the Tahsil or by persons carrying on trade or occupation of weaving in the area. The value of such shares is Rs 10/- The yarn dealers are required to pay the full amount on allotment but the others

can pay it in 40 monthly instalments of -/4/-. The authorised number of individual shares is generally 1000.

The number of society shares can be varied according to the requirements. No addition to individual shares is permissible without a resolution of the general meeting and the approval of the Registrar.

An individual share can be transferred to others, except the heirs, only with the permission of the Board of Directors. Loans and deposits can be raised by the society within the minimum liability for the year fixed by the general meeting with the approval of the Registrar.

At least 25% of the net profits is credited to the Reserve Fund, every year, and, in course of time, the Reserve Fund becomes a good source of working capital in tight periods.

Liability: The liability of both the types of share-holders is limited to the nominal value of the shares held.

Loans from the store: Loans can be given by the store to the society members only. Non-affiliated societies may, also, be advanced loans, with the permission of the Registrar.

The maximum amount which can be lent is 5 times the nominal value of the shares held. If a loan is advanced for specific purposes the dates of repayment are fixed at the time of grant with reference to the object and the ability to repay. If a loan is given to a society for mortgaging the products of a member the period of loan is not to exceed 3 months and the mortgaged goods must be hypothecated to the central society. In case of a default, the central society has the right to put the goods to sale and recover the amount.

Loans have to be paid punctually, but the Board has the power to grant extension for sufficient reasons.

The maximum rate of interest chargeable is 12%. A penal interest, not exceeding 6%, may be charged, in addition, on overdue loans.

Management: The general meeting consists of all individual share-holders and delegates from the member societies. The Annual General Meeting elects the directors and determines the disposal of profits.

Board of Directors The Board of Directors consists of 10 directors. Six of them are elected by the societies' delegates and four by the individual share holders. The Board elects one of them as the Managing Director who is the ex officio chairman of the store.

The directors are elected for 2 years, half of them retiring each year by lot.

The Board appoints a legal adviser of the Society, fixes the maximum credit of each society member annually, raises funds and fixes the conditions on which deposits and loans are to be taken. It arranges to stock and supply yarn and other weaving materials, makes arrangements for dyeing places, orders for new patterns and arranges sale of members' cloth.

It has the power to appoint committees to look after different branches of work and to appoint Assistant Managers.

Managing Director The managing director is the Chief executive officer and is charged with the duty of frequently inspecting affiliated societies and reporting on them. Any depot or factory maintained by the society is directly under his control. He receives and disburses money of the store according to regulations.

Profits The net profits are distributed in the following manner:

(a) 1/4th to the reserve fund, (b) a dividend, not exceeding 7½%, on paid up share capital in respect of both the types of shares, (c) bonus to society members and individual members on the yarn purchased from the store. The rate of bonus will be fixed by the general meeting. The bonus to yarn dealers will not exceed 3/4th of the bonus to other members, (d) bonus on the basis of cloth purchases from the members of affiliated societies and individual members, (e) not more than 10% to some charitable purpose approved by the Registrar and (f) creation of other funds or strengthening the reserve fund.

'B' Weavers, Societies To the stores described above are affiliated the primary weavers' societies.

Constitution and working of Primary Weavers' Societies The objects of a weavers' society are (i) to arrange to supply raw materials, improved tools and machinery to the members, (ii)

to discourage production of bad goods and to get standard goods produced under its supervision, (iii) to supervise the production of goods, to test it and to issue instructions, (iv) to arrange to sell the products of the members and to open a depot for sale or to arrange supply of raw materials and sales of members' goods through a Central Weavers' Society, (v) to advance not more than 60% of the value of products deposited with the society, (vi) to undertake sale of members' goods on a commission basis, (vii) to experiment with new patterns and designs and (viii) in general to teach business honesty and encourage thrift and cooperation among the members.

The area of operation of the society is limited to a mohalla or a village.

Membership is open to all persons of good character, above the age of 18, living within the area of operation or carrying on business therein.

Funds: The sources of funds are the same as in a store.

An admission fee of -/4/- has to be paid by every member on admission.

The value of shares is Rs. 10/-. It is payable in monthly instalments of -/4/-. In the case of default, the instalment is deducted from the price of the goods supplied by the members.

Loans and deposits are raised within the maximum limit fixed by the general meeting every year.

The reserve is built up out of the profits. 25% of the profits is credited every year to the reserve fund.

Liability: The liability of a member is limited to Rs. 25/-

Business methods: Financial assistance is given in the purchase of yarn and other raw materials by the society.

Raw materials and yarn are supplied to the cottage workers on condition that the price will be repaid out of the sale proceeds within a stated period. The society may deduct the amount from the price of the members' goods. Members who dispose of their products direct are not entitled to get their raw materials till the price of a previous supply has been fully paid. The raw materials are sold to the members for cash only on such prices as are fixed by the general meeting.

If the funds permit, a bonus on the basis of purchase of yarn is given at the end of the year.

Administration The General Meeting among other things elects the Chairman and the Treasurer for the year, and fixes the limits beyond which no member is permitted to have raw materials in his possession at any time. The General Meeting determines, with the help of the managing committee what amount of raw materials improved tools and other machinery are required by the members and considers how best the supplies can be obtained to be sold for cash against the pledge of the products or to be hired out to the members.

Managing Committee Besides the Chairman and Treasurer there are 3, 5 or 7 other members elected by the General Meeting. The committee takes steps to fulfill the aims and objects of the society. It is responsible for running the store and has to arrange for supply and sale on the best possible price. It must try to introduce and advertise new designs and patterns.

Profits At least 25% of the net profits is credited to the Reserve Fund. Not more than 10% on the paid up share capital can be declared as dividend and the rest can be used for strengthening the reserves or for creating other funds.

(C) Other Industrial Societies Besides the Weavers Central and Primary stores and the Weavers Societies the Najibabad Blanket Spinning and Weaving Society has been in existence for a long time but it has not been able to compete with the cheap blankets turned out by the factories. In 1941-42 no work was done by the society and its dissolution was being considered.

For the last few years mainly because of war, woollen societies have also been working in Almora and Naini Tal districts. 16 such societies worked in Almora and 3 in Naini Tal in 1941-2. They produced Blankets, Kamlis and Coating, but by 1943-44 they had become moribund.

Other industrial societies in the Province are few and unimportant. These include societies for leather workers, brass workers, glue makers, glass workers etc.

Progress During the war specially since 1939-40 a great expansion in the weavers societies has taken place. The weavers societies have always been affected by economic conditions. The depression had very seriously affected these societies and when the war started the number of such societies was small.

but later on it increased in leaps and bounds. Weavers in the Province felt great difficulty in procuring yarn and dyes and hence the time was ripe for pushing sale and purchase organisation among them. War orders were another factor responsible for this development.

Weavers' societies which numbered only 13 in 1933-34 increased to 37 in 1939-40, 53 in 1940-41, 57 in 1941-42, 68 in 1942-43 and 87 in 1943-44.

The central societies for weavers also showed an increase. There was only 1 such society in 1934-35, but the figures for 1939-40, 1940-41, 1941-42, 1942-43 and 1943-44 were 8, 8, 8, 12 and 12 respectively.

The weavers' societies have done very brisk business during the war period. The textile stores and societies had a working capital of Rs. 6.5 lakhs of which 81 lakhs was owned capital in 1942-43. The sales and purchases made amounted to Rs. 2.38 lakhs and Rs. 4.14 lakhs respectively. They earned a profit of Rs. 31,646/-. In 1943-44 the owned capital had increased to Rs. 1.49 lakhs and the sales to Rs. 3.17 lakhs. A net profit of Rs. 15,000/- was made.

Other industrial societies did not show the same increase although their number also went up. In 1942-43 the number of such societies was only 16 but the next year it increased to 22. Even these societies did not work well.

The success of the industrial societies is due to many reasons. War curtailed the normal supplies of many commodities and created a demand for the products of cottage industries, competition ceased to operate and rationing and controls further created a favourable situation for the industrial cooperatives. These advantages are of a temporary nature and must disappear sooner or later now that the hostilities have ceased. The future of the cottage industries will now depend on their ability to adapt themselves to peace conditions.

With the establishment of the Provincial Industrial Federation an organisation has come into existence which can look after the marketing of finished products, supply of raw materials and improved tools, and improvement in technique. Whether the industrial societies gain strength or collapse depends on how the industrial Federation can reorganise itself to undertake these onerous responsibilities. The industrial societies should, therefore, spare no efforts to support the Federation. It will be a pity if for want of loyalty the Federation fails and the societies cannot retain some of the advantages they obtained during the war period.

CHAPTER XV

AGRICULTURAL SUPPLY SOCIETIES

Next to credit the most important requirements of the agriculturist are good seed, good manure and improved implements. These things are necessary to increase the yield from land and, thus improve the economic position of the cultivators. But in the purchase of the above mentioned agricultural requisites the cultivators suffer from various handicaps.

About 75% of the cultivators have to borrow even the seeds they require. The general practice in the Province is to borrow from the *Baria* or the landlord at a very high rate of interest, payable in kind after the harvest. The seed supply is of indifferent quality.

In the case of manure which is absolutely necessary for agricultural operations if the quality and the quantity of the produce is to be maintained, the position is no better. Farmyard manure is but little used as most of the dung is converted into fuel. A major portion of the ordinary crop is but little manured. Cash crops cannot thrive without being manured properly. The cultivators are willing to purchase good manure for such crops. Since, however, large quantities have to be purchased and stocked for sometime before use, the business has fallen into the hands of middlemen who charge high prices for an indifferent quality.

Difficulties are similarly experienced in securing implements. The size of holdings in most cases is so small that an improved implement cannot be fully utilised, and where it is possible to do so, to arrange for its supply is beyond the capacity of individual farmers.

Due to these causes the need for agricultural supply societies has always been felt.

The Agricultural Department which is primarily concerned with the development of agriculture in the Province has been trying to popularise the use of improved implements and seeds and has been placing a stock of these things in the central banks for sale to the members of cooperative societies. The central banks have, however, been concerned with their own business and have not been able to organise agricultural supply.

As early as 1905, the possibility of setting up a cooperative supply organisation was explored and about a dozen seed societies

came into existence in Sultanpur district. A few years later an agricultural supply society, with the object of supplying seed and implements, was organised in Mainpuri. Subsequently a few more societies at Hardoi, Roorkee and other places came into existence.

These societies worked well for a few years but soon the enthusiasm wore off and they began to languish.

Constitution and Working. The objects of an agricultural supply society are to provide good seed, improved implements and useful manure, at moderate rates, for its members in order to encourage improvement in the methods and products of agriculture. In general, the object of the society is to encourage such improvements in the entire district.

The area of operation of the society is a district.

Membership consists of two classes: (a) individuals and (b) registered cooperative societies. Any individual above the age of 18, of sound mind and good character, owning or cultivating land in the district, and any registered society in the district is eligible for membership.

Funds: The funds of the society are derived from (a) shares (b) deposits (c) loans and (d) Reserve Fund.

The authorised number of individual shares is 2000 but the society shares are unlimited. The value of a share in both the cases is Rs. 10/-.

Every member is required to have at least one share and as many more as may be allotted.

The share money is payable by instalments—Rs. 2/- on admission, Rs. 2/- first Kharif, Rs. 2/- first Rabi, Rs. 2/- second Kharif and Rs. 2/- second Rabi.

Individual shares are not transferable, except to heirs, without the permission of the managing committee. Society shares are neither withdrawable nor transferable except according to rules.

Deposits and loans can be raised by the society within the maximum liability fixed for the year by the General Meeting. The limit does not, however, exceed 8 times paid-up share capital and Reserve Fund. Deposits can be accepted from all members and such non-members as are approved by the committee. Being a limited liability society, 25% of the profits is credited to a

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Reserve Fund which, when it grows strong, can be used as working capital in tight periods

Liability The liability of the members is limited to the nominal value of the shares held by them

Administration All the individual members and either the *Surpach* or any other member nominated by each society form the General Meeting

The powers and duties of the General Meeting are the same as in a credit society It elects a President, the managing committee and a Vice President for the year

Committee The managing committee consists of 9 members including the President and the Vice President At least 3 members of the committee must be representatives of the societies Two additional members, not necessarily share-holders, can, also, be coopted

The committee carries on the business of the society It arranges for purchasing for cash or credit the estimated requirements of agricultural requisites from agricultural department or other sources It may stock and sell on commission agricultural requisites belonging to the Agriculture Department or other dealers

It is responsible for proper storage of the agricultural requisites purchased or stocked

The prices of goods, to be sold, are fixed by it, and arrangements are made for the sale or hire of these goods

Any damages to be paid, for implements etc. hired to the members, are determined by the committee

The chief executive officer of the society is the Manager

Business Principles All sales are made for cash only No credit is allowed Credit sales force the society to purchase on credit and involve a loss of cash discounts Credit increases the work of account keeping and ultimately proves expensive For these reasons only cash sales are permitted

Being a cooperative institution, the society is mainly for the benefits of its members But sales to non members can also be made with the sanction of the Registrar

Goods are sold on the prices, fixed by the committee, which are more or less competitive A portion of the profit returned

to the members in the shape of a bonus according to the non-credit dealings of the members with the society.

Powers regarding purchase of the goods can be delegated to the President by the Committee of Management.

Profits : Since the requirements are purchased by the society in bulk, wholesale rates are available to the society. Besides, such purchases can be made in the best markets. The larger the profits, the larger will the tangible benefits to the members be, and the greater will be the chances of success of the society. To have a good profit is, therefore, a necessary condition of success. It is essential not only to have a good margin between the prices charged and prices paid but to reduce the expenses of management to the barest minimum.

On the net profits the first charge is the reserve fund to which at least 1/4th of the profits must be credited every year. Out of the remainder a bonus, at a rate fixed in consultation with the Registrar, can be declared according to non-credit transactions of the members. But not more than 50% of the profits can be so distributed. Next comes dividends on the paid-up share capital, the percentage not exceeding 7½. Another 7½%, with the approval of the Registrar, can be set apart for educational or charitable purposes. If any thing remains, it may be used either to strengthen the reserve fund or be carried over to the next year.

The position of the reserve fund is the same as in a credit society.

Progress: The Mainpuri Agricultural Supply Society was the only one of its kind in the U. P. for a long time. Upto 1919-20 the society did some useful work but since then it began to run at a loss and finally disappeared in 1926.

A few central agricultural supply societies were started. The following table shows the working of these societies.

Year	No.	Individual Societies	Sales	Purchases	Shares	Reserve Fund	Working Capital
		numbers					
			Rs.	Rs.	Rs.	Rs.	Rs.
1922-23	3	105	15 10,868	..	4,737	4,200	13,634
1923-24	2	180	81 11,190	..	5,287	6,387	18,829
1924-25	2	183	97 10,648	8,367	5,460	5,020	34,147
1925-26	2	184	97 11,280	..	5,722	7,397	32,714
1926-27	3	193	129 29,430	..	8,502	8,271	42,021
1927-28	3	381	132 20,452	..	9,065	9,336	54,901

Year	No	Individual numbers	Societies	Sales	Purchases	Shares	Reserve Fund	Working Capital
				Rs	Rs	Rs	Rs	Rs
1928-29	5	564	165	31 049		13 14	9 6 4	56 241
19 29 30	5	511	183	103		17 1 4	11 285	55 709
1930 31	7	496	15	95 8	6 9	12 015	10 585	56 281
1931 32	3	43	14	78 3		80 9	11 124	60 309
1932 33	3			1 11		12 72	11 209	58 211

The societies as can be seen from the table worked well till 1928 29 but after that a decline set in. By 1935 36 all the agricultural supply societies were defunct in the Province.

Causes of failure The main causes of failure of the agricultural supply societies have been (a) too wide an area of operation (b) dishonesty of the managers (c) absence of a genuine demand for agricultural requisites (d) cash dealings (e) lack of experience (f) ignorance of business methods (g) lack of storage facilities and (h) difficulties in obtaining pure seeds and maintenance of the improved implements purchased by the members.

The area of operation of the societies has been so extensive that it could not be properly controlled. The cultivators do not move out more than a few miles from their villages to get seed or manure and if the society is situated at a long distance they prefer to deal with the *Bara* rather than approach the society to lend their seed or arrange for the purchase of an implement.

The work of obtaining agricultural requisites and its proper storage have to be left in the hands of the managers. If the manager is dishonest the society can never be successful. Some of the agricultural supply societies failed for this reason. The liquidation of the Hardoi Agricultural Supply Society was due to the embezzlement carried out by its manager. The only effective check could have been a strict supervision by the committee of management which formed as it is of the agriculturists has not the necessary qualifications to check the work.

The greatest factor responsible for the failure has been the absence of sufficient genuine demand for agricultural requisites on the part of the rural population. A good demand for improved seeds, implements and manures cannot arise so long as the agricultural technique continues to be crude and primitive. The cultivators of the Province have been carrying on agriculture according to the traditional methods, their holdings are fragmented and scattered and proper irrigation facilities do not exist. Under

such conditions, sowing of good seed, use of expensive manure and purchase of improved implements would have been a waste of money. The cultivators, therefore, in spite of the fact that they realise the value of improved agricultural requisites, did not see much advantage in joining agricultural supply societies.

Cash transactions, again, limited the number of persons availing of the facilities provided by the societies. Cash is one of those things which in normal times is very scarce in the villages. The cultivators preferred to pay higher rates of interest and higher prices to other dealers who allowed them credit than purchase their requirements for cash from the societies.

Lack of storage facilities and difficulties in purchasing pure seed were other serious handicaps. The societies could not construct suitable godowns, and wastage in stocking seeds was considerable. In the supply of implements the main difficulty concerned their repairs. Government help and the assistance of the local bodies could have solved the problem easily, but such help was not forthcoming.

Conditions precedent to success: There are certain conditions necessary before a good development of agricultural supply societies can take place.

(a) Scatteredness and fragmentation of holdings must be reduced considerably to enable the cultivators to supervise agricultural operations closely. Only when consolidation has been effected can the holdings be fenced and the use of improved implements be made economical. It is only then that better crops can be raised.

(b) An improvement in the breed of cattle should simultaneously occur. The existing weak cattle in the rural areas cannot work heavier implements.

(c) Irrigation facilities must also be extensively enlarged to permit better and more intensive cultivation.

(d) The agricultural technique which is primitive needs a complete overhaul.

(e) Above all a successful marketing organisation for agricultural produce must come into existence so that the cultivators may market their produce and get a premium for quality. So long as better prices cannot be obtained for better qualities there will be no tangible proof of the usefulness of better seeds, implements and manure and the agricultural supply societies will not be popular.

As compared to the twenties the conditions now are certainly more favourable. Irrigation has developed considerably. There is a better organisation of marketing and the cultivators have begun to realise the usefulness of agricultural supply societies. But consolidation of holdings has not been extensively attempted and agricultural technique has not advanced. The time therefore is not yet ripe for an extensive development of agricultural supply societies.

An agricultural supply society which attempts to provide all the agricultural requisites is too complicated to be handled by agriculturists who are mostly illiterate.

CHAPTER XVI

SEED AND IMPLEMENT STORES

After the failure of the central agricultural supply societies in U. P., an attempt has been made to organise stores serving a few villages of the locality. A few stores showed good results. These stores dealt in seeds, implements or both.

Earlier Seed Societies : The idea of having a separate store for seed was not a new one. Soon after the movement was started in the Province a few seed societies were organised at Amethi in the Sultanpur district. From 12 in 1905-06 their number rose to 30 in 1911-12, but the number of their members and the working capital was always small.

The societies purchased their seed from the Government seed depots or borrowed from the depots, on the joint and several responsibility of the members. The Rabi and Kharif seeds were lent out to the members on 'Sawai' rates. Cash loans were also advanced by the societies as it was felt that unless cash loans are advanced the prospects of success would be slender. There were two difficulties, however, which brought about the failure of these societies.

The societies required a fair amount of capital for the purchase of seeds, and this was not easily available. Another serious difficulty was that proper storage facilities were not available. The members of the committee of management, for want of suitable storage rooms, were not willing to undertake the responsibility of storage. They were afraid of fire, theft, deterioration of the stock due to damp, insects and other causes. A minor difficulty was also carriage of advances and grain for repayment between the depot and the villages.

The new stores: The new stores were organised in 1935-36. Some were central and others primary. Their number has increased considerably since then. The following table gives an idea of their growth.

Year	Central seed stores	Central Implement stores	Both	Primary stores
1935-36	13			
1936-37	15			

Year	Central seed stores	Central Implement stores	Both	Primary stores
1937-38	10	8	1	14
1938-39	21	8		15
1939-40	7	14		19
1940-41	7	14		20
1941-42	36	14		20
1942-43	14			15
1943-44	18			13
1944-45	18			13

It has been found that with proper facilities for storage and honest management which need not be expensive a store with about 2000 mds of seed easily pays its way and, if nothing untoward happens may within 10 years of its start, work with its own funds¹

At least a dozen societies in a particular locality subscribe the share capital according to their financial position. A Government subsidy is generally obtained for the construction of godowns. The rest of the capital is available from the central bank at 6%. With this capital and a clerk and another chowkidar the store can be run easily.

Most of the seed stocks were either purchased or borrowed from the Government seed depots. Some seed stocks were also purchased from such members of societies as had themselves grown improved seeds.

The seeds were either sold to the members or advanced on the 'Sarat' system.

The constitution of the seed and implement stores is the same as that of an agricultural supply society, already described in the previous chapter.

That some useful work has been done by seed and implement stores, both central and primary, is evident from the business done by the stores.

The seed stores in 1935-36 distributed 10,796 mds of seed and supplied implements. A few seed godowns were constructed by the stores. The total seed distribution in 1945 was 42,863 mds as compared to 36,000 mds in 1944. If we consider the seed distributed by cane societies also the total distribution comes to 1.23 lakhs of mds.

The stores in the Partabgarh district have been the most successful.

¹ Year Book and Directory of Indian Cooperation--1942 pp. 528

The Partabgarh societies see to it that the improved seed is sown separately. Improved seeds, like wheat Pusa '52' and Barley '251', have become popular.

Difficulties of the seed stores : There are a few difficulties, however, that the stores have to face. In the first place, to set up arrangements for obtaining pure seeds is not easy and secondly, there is not enough margin in the business to maintain extra temporary staff just before the sowing and after harvesting season. The work in the seed stores is carried on by the ordinary credit supervisors.

A third difficulty is the problem of storage. Scientific storage does not exist in many stores and the quality of seeds begins to deteriorate soon.

Enough business is also not available to make the store a success.

Since 1943-44, therefore, the Cooperative Department has rightly followed the policy of discouraging new stores. Development and Marketing Unions have been encouraged to take up seed and implement distribution. Cane societies have undertaken the supply of improved seeds and implements, and many a village bank now does this business. It has been felt by the Registrar, Cooperative Societies, that the work of seed and agricultural requisites supply can be now economically undertaken by multipurpose societies and other institutions charged with the development of produce.

The work of seed supply is both easy and safe. Agriculturists can easily manage a seed store. They may not pay a cash instalment but are very particular to pay off their seed instalments. They know that if they default they would not get the seeds for the next crop. In post-war years when agriculture is reorganised and there is a wide-spread demand for better manure and implements, separate societies for the supply of agricultural requisites may be organised and will prove successful.

CHAPTER XVII

CONSUMERS' COOPERATIVE STORES

Introduction Consumers, as a class, are completely disorganised and have to pay high prices for their purchases of daily requirements. A high degree of specialisation in production and the interdependence of countries in matters of supplies have increased the number of middlemen between the producers and the final consumers. By the time, therefore, the commodity reaches the consumer the price is very much more than what the producers get.

Individual consumers are handicapped in purchases because, generally, they do not know where the commodities can be best purchased, and even if they do the requirements of a single consumer are so small that it is unprofitable to obtain them from the best market. Usually, purchases are made in the nearest local market. Under these circumstances, not only a high price has to be paid, the goods obtained are also, of an inferior quality. The dealers exploit the situation and resort very often, to adulteration.

The necessity of bringing into existence an organisation to tackle the problem of consumers first arose in the European countries specially England due to the high cost of living and multiplicity in the middlemen between producers and consumers, as a result of the Industrial Revolution. Since the first country to be affected by the Industrial Revolution was England, such an organisation was evolved first in that country.

Rochdale Pioneers The Rochdale Pioneers (28 weavers of Rochdale) as early as in 1844, started a cooperative store on certain principles. The store was so successful that several stores were started soon after in the other parts of the country and subsequently they extended to the other countries of Europe and other continents. The Rochdale Pioneer model has been followed everywhere.

Principles of Rochdale Pioneers The principles followed by the Rochdale Pioneers were the following:

- (a) Being a cooperative organisation the store was open to all. Neither the share capital nor the number of members was limited.

(b) The second principle which was strictly adhered to was 'sales at market rates'. The principle was adopted so that cut-throat competition from the dealers may not arise. The promoters knew that it was next to impossible to compete with long-established dealers if they attempted to sell at below the market prices. The dealers could afford to suffer losses but the store would have no option but to close down.

(c) The third principle was to assure genuineness of quality and employ full weights and measures. The purchasers from the cooperative stores were sure of guaranteed quality.

(d) The fourth principle was 'sales for cash and no credit.' Credit was avoided for numerous reasons. Credit sales encourage unnecessary purchases, increase indebtedness of members, involve expenses of book-keeping, and force the stores also to seek credit. Cash discounts are therefore lost and the markets where the stores can purchase become restricted. It were these difficulties which impelled the Pioneers to adopt the principle of cash sales.

(e) The fifth principle was that interest and no dividend was allowed on the share capital. This principle prevented a profit-seeking motive and exploitation of the organisation by capitalists.

(f) On the other hand, a part of the profits was distributed on the basis of the purchases made from the store. This principle encouraged business through the stores and ultimately was responsible for their success.

(g) The principle of 'Democracy', also, has been fully followed by the Rochdale Pioneers. Every member enjoyed only one vote and there was no distinction of caste or creed, high or low. Every member enjoyed the same rights and privileges as any other member.

Stores in the Province : The villages in the U. P. are still almost self-sufficient, so far as the major daily requirements are concerned. A few necessities of life have, however, to be purchased. The prices charged for such articles are high and the shopkeepers practice adulteration and give false measures. But the business is so small that a separate store is uneconomical.

In the towns and cities, on the other hand, the conditions approximate to the conditions in the towns of the West. All the requirements have to be purchased by the urban population and they are subject to all the nefarious practices of the shopkeepers.

As early as March 1906, a cooperative store was started by the Kashi Cooperative Company at Benares. This was followed by a few general cooperative stores and students' stores at other places also.

(A) **Constitution and working of General Cooperative Stores** The objects of the consumers' stores are (i) to supply to the members necessities of life of every kind at reasonable prices (ii) to afford facilities for deposits and, in general, to encourage thrift, self help and cooperation.

Membership Any person, of good character and sound mind, above the age of 18, residing in the area of operation of the store is eligible for membership.

Every member has to sign a declaration agreeing to observe the by laws and other regulations of the society. One share at least must be held by a member.

Membership does not cease merely by reason of leaving the district but such members forfeit the right to vote.

The liability of a past member continues for two years after the cessation of membership.

Funds The funds of the stores are derived from shares, deposits, loans, Reserve and other funds.

The authorised capital is Rs 50,000/- divided into 5,000/ shares of Rs 10/ each. The share money is payable in a lump sum. The authorized capital can be increased only on a resolution of the General Meeting, approved by the Registrar.

Shares are transferable only with the approval of the committee of management to approved members. Transfers are not permitted till the shares have been held at least for two years.

No member can hold more than 100 shares.

The store can accept fixed deposits from members and non members within the limits prescribed by the annual General Meeting with the Registrar's approval. Loans can also be raised provided the liability created in the shape of deposits and loans is kept within the maximum liability for the year.

The store being a limited liability society, the usual practice of crediting at least 25 % of the profits to a Reserve Fund is followed. This, together with other funds created, can serve as a source of working capital in emergencies.

Liability : The liability is limited to the nominal value of share capital held.

Administration : The supreme authority vests in the General Meeting of the share-holders. The functions of the General Meeting are the same as in any other cooperative society.

Board of Directors : The General Meeting elects a Board of Directors consisting of the Chairman and 12 other elected directors. The Board remains in office for a year. The Board appoints a Managing Committee of 5 from among themselves, appoints a legal adviser, and, generally, supervises the working of the store.

Managing Committee : The Managing Committee is the chief executive body. It admits new members, allots shares, controls the staff, looks after the safe keeping of the stores and makes rules for the conduct of business.

Officials : The Board or the Managing Committee, with the approval of the Board, appoints a paid or honorary Secretary and a paid or honorary manager. Assistants may, also, be appointed, if necessary.

The manager arranges supply of stores and stocks in trade, under the control of the committee, and issues them to the members according to rules.

The duties of the Secretary are, generally, office duties.

One or two store-keepers may also be appointed by the Board.

Business : The stocks of the store are retailed, generally to the members, according to the rules framed by the Committee. Sales may be made to non-members also. But all sales are made for cash only. No credit is allowed.

The prices charged by the stores are fixed by the Secretary under the directions of the committee of management. In fixing prices local prices are taken into account.

Out of the net profits a bonus is given to members on the basis of the purchases made by them from the store.

Profits : The net profits are distributed as follows :

(i) 25% at least to the Reserve Fund, (ii) $7\frac{1}{2}\%$ on fully paid-up shares, (iii) bonus on purchases to members. The total amount

used up in dividends and bonuses should not, however, exceed 50% of the profits

(ii) not more than 10% of the remaining profits after crediting to the Reserve Fund for charitable purposes,

(i) an amount fixed by the annual general meeting for a bad debt fund and (ii) for increasing the Reserve or carrying forward

The store maintains a separate ledger to show the accounts of each individual and issues a pass book to each member wherein transactions are noted down

(B) Students' stores Constitution and Working The college and school cooperative stores have to deal with students who are different in nature to other classes of urban population. The stores therefore that have been organised for them differ in constitution and working from the general consumers' stores

There are two serious difficulties of a College or Boarding House store. The membership changes frequently as the students stay for two or, at the most four years. And, since the College or School remains open for only about 9 months in the year the store transacts business for only 9 months but has to incur establishment charges the whole year round. Even during the 9 months the College or School is open, there are many holidays when the students go away to their homes

Membership Membership of the store is open to past and present members of the institution members of the Managing Committee of the institution and past and present members of the staff

One of the conditions of membership is holding of at least one share in the store

Funds The capital of the store comes from (a) shares (b) advances from purchasers (c) deposits (d) loans, (e) donations and (f) Reserve Fund

The number of shares is undetermined. The value of shares is Rs 5/- Re 1/- per share is paid on application and the rest by monthly instalments of Re 1/-

Not more than 20 shares can be held by any member. Applications for transfer of shares have to be made between the 25th March and 25th of June or when the member is leaving

The store collects advances for their purchases from the members.

Loans and deposits can be accepted within the maximum liability fixed by the General Meeting.

Liability : The liability is limited to the nominal value of the shares.

Administration : Besides the General Meeting which elects both a President and a Chairman, there is a Board of Directors consisting of the Chairman and 9 other elected Directors. Not more than 3 other Directors from among the members can be coopted.

The Board arranges to purchase common necessities obtainable in standard qualities. It fixes the prices and gives publicity to them. It has the power to appoint sub-committees for various purposes.

Office-bearers : The office-bearers of the store include (i) a General Secretary, (ii) an Assistant Secretary and (iii) a Treasurer. There are 2 auditors elected by the general body, besides.

The President acts as the responsible head of the store, while Chairman is the head of the Board of Directors.

The General Secretary is the chief executive officer and is responsible for the supplies of stock-in-trade and their safe custody.

Business : All transactions are on a cash basis. Sales are made only to the members, their guests and servants. Sales to non-members can be made only if there is a surplus. Damaged goods may, however, be disposed of.

Bonus may be given to the members on their purchases.

The funds of the society are maintained in the Post Office Savings Bank.

Profits : After crediting at least 25% to the Reserve Fund the rest is used in the following order : (a) Bonus not exceeding 40% of the purchases on advance system (b) Dividends not exceeding 6% provided that not more than 50% is distributed in dividends and bonus, (c) charitable purposes, (d) other funds, (e) strengthening the reserve, (f) carrying forward to next year's profits.

Progress Although the consumers' stores were started in 1906 due to the difficulties in getting them registered as cooperative societies credit business was also tacked on to them. The earlier stores were however, unsuccessful mainly, due to the fact that a larger outlay was necessary and was not forthcoming. Management of the store was also a problem and the credit business did not combine well with the proper business of the store.

In 1913-14 just before the first Great War broke out there were only three general stores and one college store at the Central Hind College Benares. In the postwar years however, their number increased due to very high prices of even the necessities. The peak year for the consumers' store after the first Great War was 1920-21 when there were 4 Students and 17 General Stores working in the Province. As the prices began to fall the number of stores also decreased. In 1928-29 there were only 10 stores working. The subsequent years marked an economic depression which was unprecedented in the economic history of India. The consumers' stores were specially hard hit as the prices of commodities fell very sharply and the difference between the wholesale and the retail prices narrowed. In 1929-30 the number of the stores fell to 5 only and till 1933-34 there were not more than 6 in existence.

When the depression began to lift the number started rising again. The progress of the stores since 1934-35 can be seen from the following table

Year	No. of college stores	No. of general stores	Total
1934-35	0	3	12
1935-36	0	7	16
1936-37	8	3	11
1937-38		8	16
1938-39	5	12	21

The last war gave further encouragement to the consumers' stores. Since 1941-42 a great scarcity set in the supply of essential commodities. The question of competition disappeared with controls. As such during the last 3 years the stores registered a phenomenal increase. The increase was as follows

Year	No. of college stores	No. of general stores	Labour stores	Total
1939-40	9	15	—	24
1940-41	11	10	5	26
1941-42	15	15	5	35
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1942-43	105		5	110
1943-44*				155
1944-45*				159

Most of the new stores were organised by employees of offices or institutions, and some by residents of particular localities. For the first time during the war stores for the labour class came into existence. Unlike Europe, before this, most of the stores were organised not for the labour class but for middle classes. These stores sold goods worth 12.18 lakhs and made profits amounting to .59 lakhs in 1942-43. The figures for 1943-44 were 27.65 and .47 lakhs respectively. In 1945 the sales amounted to Rs. 35.15 lakhs and the stores made a profit of Rs. 58 lakhs.

With all the development that has taken place in the consumers' cooperation in the Province, in this branch of cooperation the U. P. is still very backward. The number of stores in Madras has reached as high as 1500.

The war offered a great opportunity for developing consumers' cooperation as they were the most suitable agency for the distribution of essential commodities. The opportunity has been, however, missed in the Province. The Provincial Marketing Federation tacked on the work of distribution to its own functions of marketing, and the development of a chain of cooperative stores, all over the Province, has received a death blow.

Causes of backwardness of consumers' cooperation: The causes of backwardness of consumers' cooperation in the Province have been many, and are to be found in the absence or imperfect application of the Rochdale principles.

Sales at the market price have not been appreciated by the people. The idea of a cooperative store is that it should supply goods to its members at a price below the market price. The advantages from having the quality assured and correct measures are generally over-looked and the bonus on the basis of purchases, since it is received long after the purchases have been made, is completely ignored.

* Separate figures for all the types are not available but there were 7 central stores in 1944 and 8 in 1945.

The failure of many a store has been due to the fact that the principle of 'cash sales' has been violated. Credit has been allowed very often leading to the failure of an otherwise good store. The difficulty in a college store, from credit facilities, has been specially great.

A lack of uniformity in the standard of living has been responsible for small demand for a large number of articles, making it impossible for a cooperative store to get the advantage of whole sale rates in their own purchases.

But the greatest difficulty in the normal times has been a very small difference between the wholesale and retail prices. In India the shopkeepers aim at small profits and quick turnover. Hence there is not much difference between the two prices. On the other hand, the cost of management in a cooperative store is very much higher than that of an ordinary shopkeeper. The shopkeepers have their shop generally, in the house they live in, and have the gratuitous services of the members of their family. A cooperative store has to pay for the accommodation and the services of its employees. There is thus, little margin for profits and the store becomes uneconomical.

The members of the Board of Directors or Managing Committee, being busy people except in a few exceptional cases, are unable to look after the business of the store. The work is left in the hands of one or two persons, either paid or honorary. The management of the store, thus, deteriorates. Accounts are not properly maintained and there is a general lack of business methods.

In the absence of a central organisation till the Provincial Marketing Federation came into existence the stores were, also unable to purchase in the most advantageous markets.

In addition to these handicaps the student stores had a few special difficulties of their own. Student population is a shifting population and the membership of such stores changed very frequently. The promoters of the stores are generally enthusiastic, and so long as they remain members, the stores work. But as soon as they go out of the college or school the interest of the other members decreases and the store falls in a bad way.

Another great handicap is that the stores cannot do the business the whole year round. Schools and colleges are closed for at least two months in a year, at a stretch, and during numerous holidays that occur during the session. The establishment expenses, however, continue throughout the year.

Lastly in both the General and Students' Stores the members are not loyal to their stores always. This reduces the business still more and diminishes the chances of success.

Future: But what of their future? When controls lapse and competition reappears the business of the cooperative stores will shrink unless the stores can manage to give tangible advantages to their members. This will be possible only if the stores can purchase their requirements cheaply and are able to reduce their expenses of management. If they can do so, good bonuses can be passed on to the members bringing home to their minds, in the most effective manner, the utility of this type of organisation.

For securing the requirements of the store, cheap in the best markets, an apex organisation should come into being. The nucleus of such an organisation exists in the Provincial Marketing Federation. For the present a separate department for distribution in the Federation, run by a committee consisting of the representatives of the consumers' stores and a few officials of the Federation would serve the purpose. When the number of stores and their business justify it a separate Provincial Federation of the stores may be established. The store section of the Federation should obtain weekly or monthly indents from the stores, purchase their requirements in bulk and distribute the commodities among the member stores.

It should be the function of this section to study price fluctuations and on that basis select the best markets for purchases, taking into consideration the cost of transportation.

On financial grounds no difficulty is likely to arise in future. The establishment of the Provincial Bank has removed one of the greatest stumbling blocks in the way. Accommodation will be easily forthcoming from the Provincial Bank whenever required.

The management of the stores will, however, have to be strengthened. It must be emphasised that the Board of Directors and the Managing Committee must more closely supervise the activities of the paid or honorary officials and not leave the working in their hands. Attempts should also be made to enlist honorary workers wherever possible, for if it can be done, the expenses of management can be reduced considerably.

The stores must strictly follow the principles of cash sales and current market prices and under no circumstances allow any credit.

Provided proper precautions are taken the stores have a future in the Province.

As regards students' stores, credit sales may be unavoidable. Credit may be permitted provided the General Meeting passes a resolution authorising the head of the institution to recover the dues every month. But no credit should be allowed, in any case, during the last month of the session.

The Chairman of the Board should be the head of the institution *ex officio* or his nominee from among the members of the teaching staff.

Unless, however, the institution undertakes to provide accommodation free and students come forward to undertake partly the responsibility of running the store the expenses will remain high. In view of the fact that the stores work only for a part of the year reduction in expenses of management is vital for the success of a College or School store.

CHAPTER XVIII

HOUSING SOCIETIES

In European countries the demand for cooperative housing societies arose due to a large migration of labour population from the rural to the urban areas as a result of Industrial Revolution. The supply of houses in the industrial centres could not keep pace with the increasing demand for house accommodation; and the rent of houses registered a very sharp increase. The poorly-paid working classes, therefore, were forced to live under slum condition which affected the health and the moral well-being of the people. To remove these difficulties the help of cooperation was sought and six different types of housing societies were evolved to suit the requirements of people of different means. Two systems of cooperative housing known as the individual ownership system and the co-ownership system came into existence. Under the former there were 4 types of societies: (a) Land Societies (b) Mutual Benefit Building Societies (c) Hire Purchase Societies and (d) Tenant Ownership Societies. Under the latter there were two types, one known as Tenant Co-partnership Society and the other which hired a house, divided it into flats and rented them to its members.

In India and so, also, in the U. P., a distinct working class is of a very recent origin. Most of the labourers still maintain their touch with their rural homes and are not desirous of owning houses in the towns. The demand for housing societies in the Province has, therefore, not come from the working classes. It were people belonging to the middle classes, specially those in service in the bigger towns, who felt great difficulty in getting suitable accommodation within their means. Hence the demand for cooperative housing in the Province came from such people.

In the U. P. the first housing society was started as far back as 1919 at Cawnpore. Subsequently the societies spread to other towns in the Province also, but their number has always been very small.

Constitution and Working of the Housing Societies :

The objects of the society are: (i) to buy or acquire land by lease, exchange or otherwise, (ii) to lay out land to suit the requirements of members and to prepare plans and estimates for the construction of buildings thereon, (iii) to build or cause to be built

residential houses or other buildings for the convenience of the members (iv) to establish and maintain social recreative and educational institutions for the benefit of members (v) to hold sell mortgage lease out on hire or on hire purchase system give on lease or otherwise dispose of land houses house sites, buildings and all other property as may be necessary for carrying out the objects of the society (vi) to advance loans to the members for building houses preferably on the society's land and for other legal and necessary house building purposes on easy terms and reasonable rate of interest and (vii) to repair, alter or otherwise deal with any building of the members

The area of operation of a housing society covers, generally, the whole of the municipality

Membership The membership of the society is open to otherwise qualified persons under the Act who desire to acquire or build a house preferably in the area acquired by the society

A person who has his ancestral home within the area of operation is also, eligible although he may be employed or carries on business outside the jurisdiction of the society, and does not reside within the area

Other persons, not residing in the area may, also, be elected members of the society for special reasons

There are two types of members, (a) ordinary and (b) special
Ordinary members are those who wish to build or acquire a house
Special members are those who are interested in the working of the society or who want to occupy houses owned by the society on hire or hire purchase system

By laws regarding construction or acquiring houses etc. do not apply to special members

Those who want to join the society have to apply on a prescribed form stating the number of shares required The admission fee and the first instalment of shares must be deposited along with the application for membership

A member has the right to nominate his successor No nominations can be changed The last nomination supercedes the previous ones

A member may withdraw after a month's notice but one who is indebted to the society or is a surety is not permitted to do so

Among other things, a member can be expelled for using the house rented by him in such a way that the value deteriorates, or if he proves a nuisance to his neighbours

Funds: The sources of funds are (a) admission fees, (b) shares, (c) deposits and loans, (d) gifts, donations and grants, (e) sale of property, (f) contributions towards the cost of the house or land and (g) Reserve and other funds.

Admission fee: An admission fee of Rs. 2/- is charged by the society which is credited to the Reserve Fund and is not refundable in any circumstance.

Shares: Every society has an authorised number of shares of the value of Rs. 50/- each. The share money is payable as follows: Rs. 6/- with the application, and the rest by 11 monthly instalments of Rs. 4/- each.

No member is permitted to hold more than 100 shares but every member must hold at least one.

Loans and deposits: Loans and deposits are raised within the maximum liability fixed for the year by the General Meeting. In no case, however, the maximum liability is to exceed ten times the paid-up share capital and the Reserve Fund. Deposits are accepted for long periods only, as otherwise they would not be suitable as a source of working capital.

The contributions of the members towards the cost of the houses are determined by the Managing Committee.

Liability: Liability of the members is limited to the nominal value of shares held by them.

Administration: Besides the General Meeting which, as usual, is the supreme authority, there is a Managing Committee consisting of the President and 6 other members. The Deputy Commissioner or the Collector of the district is the *ex officio* President not only of the committee but of the society as well. The other 6 members are elected by the General Meeting for 3 years. One-third of the members retire at the close of the first year and half of the remaining original at the close of the second year. Those to retire are selected by lot.

The Managing Committee is the chief governing body. controls all the servants of the society, raises funds, sanctions

transfers of shares and houses, elects members and allots shares. Plots are allotted by it and other arrangements for acquiring houses or building a house are undertaken. Partition of society's houses and letting the houses to non members can be done by the committee. The committee fixes the rate of interest on loans and deposits and also the sale price and rent for plots and houses.

Office bearers The important office bearers of the society are (a) the President (b) the Secretary (c) and the Treasurer.

The Secretary and the Treasurer are elected by the committee.

In addition to other powers enjoyed by the President, he enjoys the power of issuing a temporary injunction restraining a member from doing or requiring him to do any act. Such injunctions are binding till revoked. All matters connected with injunctions have to be laid before the Managing Committee within 10 days.

Secretary The Secretary is the chief executive officer of the society. He receives and disburses money according to the decisions of the Managing Committee and has to see that there are no encroachments on the society's lands and the houses are built according to the plan approved by the society.

Business of the Society Applications for acquiring land for houses have to be made on a prescribed form.

Out of the plot acquired by the society a portion is reserved for roads, parks, lanes and other public uses. The rest of the land is divided into three types of plots A, B, C according to their area. Plots are allotted by the committee and facility is offered in selecting neighbours. If more than one person applies for a particular plot the man who is given the plot is selected by lot. The society tries to assign to members of the same community a separate block so far as possible.

The plan of the proposed building has to be submitted to the committee for approval. The committee has to see that the sanitary requirements are fulfilled and the front portion and the elevation of the houses are symmetrical with other houses in the same line.

No member is allowed to have more than one plot or more than one house with the money advanced by the society. Plots and houses cannot be changed without the approval of the society.

Purchases of plots can be made outright or on a hire-purchase system.

Those who want to get the houses constructed through the society apply to the society which determines the terms on which construction would be undertaken. The members have to pay a supervision fee which will not exceed 5% of the cost. The society maintains a separate account of each house constructed. All members have to intimate the amount spent by them over construction.

Any one who desires to sell the house on society's land has to offer it to the society. The society has the right to purchase it, but if it is willing, the house can be sold to any person approved by the society. No transfers are, however, permitted till the dues to the society have been cleared.

Sometimes the society constructs houses out of its own funds and lets them out on hire or hire-purchase system according to the rules framed. Preference is given to the members in letting the houses but if members are not willing the houses may be let out to non-members.

For renting a house of the society application has to be made. Similarly an application has to be made for purchasing the house on hire-purchase system. A sum fixed by the society has to be deposited by monthly instalments spread over not more than 15 years. The committee lays down what portion of the monthly instalment will be treated as rent and how much is to be credited towards the cost of the house. If for some reason, at any time, the member decides to rescind the contract the society pays back what has been paid towards the cost of the house by convenient instalments within 2 years.

No house can be partitioned without the sanction of the committee. All applications for partition have to be placed before the committee which is required to see before passing an order that the houses do not become insanitary.

An ordinary member can let out his house only with the permission of the committee. Members who do not possess houses of their own have a prior right to rent such houses, the rent being settled between the owner and the tenant.

If a house is let out to a non-member the person has to file a declaration undertaking to be bound by the rules framed by the society, from time to time, for the occupiers.

Annual repairs have to be carried out by the occupiers

Additions and alterations to the buildings must be previously sanctioned

The society may maintain parks, lawns etc and charge a fee for their use Clubs, libraries and other institutions may, also, be opened either for all the members or exclusively for the ladies

In fixing the rent of the plots or houses the rent paid by the society, the cost of improvement, price of land taken up by roads etc is taken into account Such costs are equitably distributed over the plots

For recurring expenditure over roads, drain etc a contribution can be levied

Loans made by the Society Applications for loans are submitted to the committee which fixes the instalments in which it will be advanced The true purpose for which the loan is required has to be stated

A loan is advanced generally for purchasing land, for building a house, preferably on society's land or for other necessary purposes connected with house construction But no loan is given to a person who has to pay any amount to the Government in respect of a house advance In special cases a loan may, also, be advanced for urgent needs on the security of the house owned by the members

Loans upto $\frac{1}{4}$ th of the estimated value of the house proposed to be constructed may be granted by the society provided the member has invested at least $\frac{1}{4}$ th of the value in land and building The advances may be made in cash or in materials

All members getting their houses constructed through the society have to deposit $\frac{1}{4}$ th the cost before construction is under taken They have to execute a bond for the rest

Security for Loans The security for the loans is the mortgage of the house under construction For every loan a surety is also necessary The sureties must be members approved by the society

The loans are repaid in monthly instalments within a period of 15 years

The rate of interest charged on the loans is determined every year in consultation with the Registrar It will not, however, exceed the rate paid by the society by more than 2% The rate as fixed applies to all new loans and outstandings

Profits: The profits are disposed of as follows:

- (a) at least 25% to the Reserve fund,
- (b) dividend not exceeding 7%,
- (c) not more than $7\frac{1}{2}\%$ for charitable purposes,
- (d) for bad debt fund, dividend equalisation funds etc.

The constitution of the housing societies in the U. P. shows that an attempt has been made to combine the two systems of house ownership found in European countries in a single housing society. The societies under the by-laws can carry out all the functions of a Land Society, a Mutual Benefit Building Society a Hire-Purchase Society, a Tenant Ownership Society, a Tenant Copartnership Society and a Society which simply hires a house and sublets flats. Such a combination of functions has made the working of the societies far from smooth. The interest of different classes of members clash and the housing societies are far less efficient and useful than any of the separate societies in the Western countries.

Progress: The first society in the U. P. came into existence in 1919 at Cawnpore and was known as the Christian Housing Society. Subsequently societies were started in other district towns as well. In 1943-44 housing societies existed in 15 districts of the Province. There were 31 societies in 1945.

The progress of the housing societies can be seen from the following table :

Year	1919-20	1924	1928	1932	1933	1934
number of societies	1	3	6	11	11	n.a
Year	1935	1936	1937	1938	1939	1940
number of societies	n.a	n.a	17	17	20	21
Year	1941	1942	1943	1944	1945	
number of societies	23	23	28	31	31	

The number of the societies has grown steadily but the societies have not been able to achieve much. The societies are for the housing of middle classes, specially officials, and the housing for the working classes has not been undertaken.

The societies had, in 1943, a working capital of only Rs 6.76 lakhs, of which 3.20 lakhs was their owned capital. They advanced to their members only Rs 3800 in 1914 and were able to recover Rs 17000/. The total outstanding amounted to Rs 1.54 lakhs of which Rs 24,000/ was overdue.

The housing movement thus, covers a very small percentage of even the middle class people. In spite of provision in the by-laws for various types of activity the housing societies in the U. P. have been mainly land procuring societies. Even loan facilities for house building purposes have not been undertaken by most of the housing societies. Construction of the houses out of the societies' funds requires a large amount of capital which the societies have been unable to raise and hence this type of activity has been out of question. It may be said that the housing societies have functioned only as land societies.

Factors Retarding Growth The slow development of the cooperative housing movement is due to many factors.

(a) House construction requires a large amount of capital which very few individuals belonging to middle classes can find. Unfortunately, however, the societies, too, have found it always difficult to raise sufficient capital. In other provinces where the movement has made a headway the Government has been liberal in giving financial assistance to the society. The Government in the U. P., on the other hand, has offered no financial assistance to the housing societies. Many a housing society had to close down for want of finances. The Christian Housing Society collected as much as Rs 22,460/ through shares in 1920-21, and applied to the Government for a loan of Rs 80,000/-. Although in 1923-24 a loan of Rs 20,000/ at 7½% was sanctioned it was never received and ultimately in 1924-25 the society was dissolved. Other societies that managed to exist struggled on. Cooperative institutions, like central banks, could not afford to lock up their capital for a long time nor could the joint stock banks do so. The only chance of success was that the Government came to the help of these societies but that too was not done. It is no wonder, therefore, that the housing societies could not do much.

How far the lack of Government assistance and other sources of finance hindered the growth of the movement can be judged by comparing the movement in U. P. with that in Bombay and Madras. In the Madras Presidency, in 1940, the loans from the Government outstandings amounted to 21.67 lakhs with the result that there were 122 building societies with 4,647 members. 2,199 houses had been constructed valued at Rs. 80.16 lakhs. In Ahmedabad alone in the Bombay Presidency there are 55 housing societies where in the total value of land and buildings is as high as Rs. 1.25 crores. Although not much Government assistance has been available, insurance companies, charitable trusts and individuals have come forward to supply the credit needed by the Societies.

(b) Besides finance, another difficulty of the societies has been that the local bodies have given no encouragement to them. There are some very good reasons why the improvement trusts and the municipalities should help the Housing Societies. (i) It is easier for the trusts or the boards to deal with a society than with a large number of individuals, (ii) the societies being corporate bodies of educated, respectable people, are expected to conform to sanitary rules better than individuals, (iii) and the societies consist of men of small means who do not live in the cities by preference, but find great difficulty in getting suitable accommodation in the towns.

In spite of this, these local bodies have not offered suitable terms to the housing societies. In the western countries the municipalities have opened up the society areas, laid out roads and given the societies lighting and water facilities. Nothing of the sort has been done in the U. P. In the past and even in recent years these difficulties have been present. The societies in the past had to wait for years before land for house building purposes could be acquired and today, also, long negotiations have to be entered into before land can be obtained.

(c) The most serious obstacle has, however, been the lack of cooperative spirit among the members of the societies. No doubt the members are generally educated people, they are unfortunately incapable of working harmoniously in an accommodating manner. The societies are, therefore, torn with factions. As such, the working in many societies is seriously hampered. There are disputes about the allotment of plots and construction work is considerably delayed.

(d) The scarcity of building materials and consequent high prices in recent years have brought the work of these societies to a standstill

Steps suggested to make the societies a success For a proper development of cooperative housing in the Provinces it is necessary that local bodies, viz, trusts and municipalities should realise their responsibility regarding good and cheap accommodation for their citizens They should not only provide suitable land to the societies at concessional rates they should also carry out the necessary improvements by constructing drainage system and extending electricity lines and pipe lines They should, also, undertake construction of roads and lanes in the area

A better cooperative education among the members, is, also, one of the essentials of success Unless the members imbibe cooperative ideals a housing society cannot run smoothly

Above all, the question of lack of finance must be tackled With a provincial bank working in the Province the Housing societies should expect some help from that direction But the Bank will not be able to provide all the capital required. Government should come forward with liberal assistance to the Housing Societies

If the Government place at the disposal of the housing societies a substantial sum of money there is no reason, provided the municipalities help and the members revise their attitude, why the Housing movement should not become a success in the Province, specially, in congested towns like Lucknow and Cawnpore A model town like the Lahore model town can immediately become a success and relieve congestion

Another direction in which there is a great future for housing societies in the Province is the provision of suitable accommodation for the factory workers in the industrial towns like Cawnpore Both the employers and the labourers will benefit from the housing societies Incidence of absenteeism among the labourers will decrease and the employers will have regular labour The labourers on the other hand, will get suitable accommodation on reasonable terms

Housing societies for the factory workers can however, be successful only with the financial assistance provided by the factory owners In their own interest the employers should come forth with such assistance but if they fail to do so the state should come to the help of the housing schemes by forcing the employers

to provide suitable accommodation. If the state insists that the factory labourers should be provided with specified types of accommodation the employers would have no option but to assist the housing societies financially.

Most of the housing societies in the case of labourers will have to be mainly of the tenant co-partnership type.

BETTER LIVING AND BETTER FARMING SOCIETIES

The cooperative movement in the Province was, for a long time, confined to credit to a large extent. Although some credit facilities were made available, the life in the villages underwent no change. It was soon realized that credit alone could not go a long way in improving the economic position of the rural masses, and it was felt that the villager himself and his surroundings needed many changes before he becomes an efficient producer and could be enabled to live a better life.

There are many features of a villager's life which require considerable improvement.

Undesirable features of rural life: The methods of cultivation are primitive and old-fashioned. The agriculturists still stick to traditional agricultural technique, employ traditional implements and make no efforts to introduce modern developments which science has made available now. The inevitable result is that while the yield and the quality of agricultural produce, all the world over, has considerably improved, in the Province an actual deterioration has been noticeable.

So far as the expenses go, the agriculturists are far from economical. They spend beyond their means on ceremonies, religious and social functions. On many occasions feasts have to be given to the '*biradari*'. This practice cannot be given up for fear of social boycott. Loans are generally borrowed for this purpose and can not be repaid. Thus the agriculturists sink deeper into indebtedness.

The mental outlook is even worse than the financial position. The people are superstitious and tradition-ridden and possess no initiative. They are blind believers in fate and this leaves no urge in them to rise in the scale of human existence. Illiteracy and ignorance is colossal, and over even small matters protracted litigation is indulged in.

The surroundings in which the rural masses live are, also, not satisfactory from the hygienic and sanitary points of view. The houses of the people are generally ill-ventilated. The sources of

water supply are not protected properly. Manure pits are to be found within the inhabited village area and drainage is almost absent in the villages. No medical facilities are available in most of the villages, and due to their ignorance the rural masses avoid even vaccination and inoculation.

In view of these problems, calling for some solution, the Oakden Committee recommended that besides credit other agricultural activities should also be undertaken by the Cooperative Movement in the Province.

Since 1928, therefore, a policy of removing the undesirable feature of a villager's life has been followed by the Cooperative Department and better living activities have been started.

These activities have taken the form of Cooperative Better Farming Societies, Adult Schools, Rural Reconstruction Associations and Better Living Societies. Better Living and Better Farming Societies are the two important types under such activities.

There are central as well as primary Better Living and Better Farming Societies. The Rural Reconstruction Associations are all Central Societies.

(A) Constitution of a District Rural Reconstruction Association: The objects of the Association are (i) to organise rural reconstruction societies in the district, (ii) to train persons for reconstruction propaganda, (iii) to coordinate activities of the District Board, Agricultural, Industrial, Cooperative, Sanitary and other Departments of rural welfare, (iv) to provide necessary funds, (v) to issue tracts and (vi) to take any other measures for achieving the objects.

Membership: Membership of the Association is open to persons qualified under the Act and registered societies. The District Officer is a member ex-officio.

Funds: The sources of funds are, (a) membership fees, (b) contributions from Government departments, District Board etc., (c) donations and (d) subscriptions.

Membership fee is Re. 1/- annually or Rs. 25/- for life.

Subscriptions may be called for specific objects as determined by the Association.

Liability: The liability of each member is limited to Rs. 5/-.

Administration Besides the General Meeting there is a Managing Committee of 9 members including the President Vice presidents and the Honorary Secretary if a member. At least $\frac{1}{3}$ of the members of the committee should be representatives of societies.

The Secretary is the chief executive officer.

(B) Constitution of a Union of Better Living and Better Farming Societies The area of operation of a Union of Better Living and Better Farming Societies is generally smaller than that of a Rural Reconstruction Association and is confined to a radius of a few miles from the headquarters of the Union.

The objects of the Union are the same as that of a Rural Reconstruction Association.

Membership of the Union is open to Better Living and Better Farming Societies in the area. Other societies doing welfare work may be permitted to join with the sanction of the Registrar.

Funds Instead of a membership fee there is an admission fee in the Union. Otherwise the sources of funds are the same as in a Rural Reconstruction Association.

Every member has to pay Re. 1/- on admission. Every society which is a member has also to subscribe a portion of its income from subscription, donations etc., fixed by the Union.

Liability The liability of the members is limited to Rs. 10/-

Administration Member societies send their representatives to the General Meeting which elects a Board of Directors of 9. The Sub Divisional Officer is the President *ex officio*. Not more than 2 directors can be co-opted.

The Board may purchase and stock on commission sale or otherwise agricultural requisites for sale and hire to the societies. It has to keep an eye on supervisors appointed by the Provincial Cooperative Union and to report on their shortcomings to the Union. Rules of business and regulations are published by the Board.

Individual directors have the right to inspect the books of the Union.

They may undertake special supervision of societies near their home, enlist sympathy of local people and help the societies to come to an agreement with moneylenders or zamindars.

The Board is authorized to appoint an Executive Committee which, when appointed, is the chief executive body. It supervises the work of the Managing Director.

The Managing Director is the chief executive officer and is responsible for the proper working of the Union.

Profits: No portion of the profit is distributable. On dissolution the fund is credited to the District Rural Improvement Fund.

(C) Constitution of a Better Living and Better Farming Society: The objects of a Better Living and Better Farming Society are comprehensive. They are, (i) to encourage the habit of thrift and saving by setting aside a small amount, in cash or kind, at each harvest or other occasions for future needs, (ii) to prevent wasteful expenditure on marriages and festivals, (iii) to reform bad customs, (iv) to settle disputes locally and, thus, so far as possible, avoid expenses on litigation, (v) to improve agriculture encouraging the use of good seeds, manures, implements and good breed of cattle, (vi) to develop cottage industries as subsidiary sources of income, (vii) to provide educational facilities for members and their children and to open libraries, (viii) to improve the health of the members by organising games, clubs, etc., (ix) to teach personal cleanliness, (x) to improve the sanitation of the village, (xi) to make arrangements for the storage of manure and refuse, (xii) to combat epidemics, (xiii) to provide medical facilities for common diseases, (xiv) to improve rural housing conditions, (xv) to improve village communications and (xvi) in general, to take all steps to improve physical, social, moral and economic condition of the members.

Membership: Membership is open to all persons qualified under the Act, living in the village. Every member has to sign an agreement to the effect that he will observe any special rules or regulations approved by the General Meeting and that he would be liable to a fine, not exceeding Rs. 100/-, in case of a breach of such rules and regulations.

Funds: The funds are obtained from (a) membership fees, (b) contributions, (c) donations, and (d) fines.

Membership fee is Re. 1/- per annum.

The society levies a contribution on the occasion of ceremonies taking place in the member's family. Such contributions may, also be levied for carrying out the objects of the society. The rate of contribution in both cases is decided by the society.

No loans or deposits can be accepted by the society.

Liability The liability of the members is limited to Rs 20.

Administration The General Meeting, in addition to other functions, adopts the customs to be observed and fixes the maximum that can be spent on each ceremonial occasion. It lays down the rules and regulations to be followed by the societies and fixes the rates of contribution.

The General Meeting elects a Managing Committee of not less than 5 members including the President and Vice-presidents. It levies contributions, fines members for breaches of rules and suggests hygienic and moral rules and agricultural practices, which are considered beneficial, to the General Meeting. It is the special responsibility of the committee to see that the objects of the society are achieved and for this purpose it has to arrange for all necessary activities.

The Committee appoints a Secretary who, if not a member, may be paid a salary or honorarium.

After the dissolution of the society, if, within 6 months, the members do not select an object approved by the society, the funds are deposited in a cooperative or other bank for a year. If, within the year, a new society with the same objects is started, the funds are transferred to such society, otherwise the funds are spent generally, through the District Association for works of public utility in the villages of the district.

Working Although as stated before, better living activities were started on a cooperative basis in 1928, for some time experiments were carried out in order to find out how best better living activities could be organised.

In Benares, villages were selected all over the district, on the basis of the inclination of the inhabitants of the villages towards such activities.

In Partabgarh certain centres were selected and an attempt was made to organise better living activities around such centres.

Both the systems presented difficulties in supervision. A new system was, therefore, tried in the Fyzabad district where a compact area was selected and the better living activities were concentrated in that area. This system has the advantage of making supervision easy and efficient. The system has been widely adopted now.

The growth of better living activities can be judged from the following table:

Years	Total number of Better Living and Better Farming Societies	No. of Adult Schools
1938-39	549 ×	—
1939-40	1,436 ×	—
1940-41	5,474 ×	—
1941-42	5,466 ×	308
1942-43	5,577 ×	26
1943-44	5,439 ×	19

NOTE: In 1943-44 the figure was made up of 62 Better Farming Societies and 5,377 Better Living Societies.

The figures indicate a very rapid expansion of the better living activities since 1938-39. Upto 1937-38 the better farming and better living societies were organised and run by the Cooperative Department. When the Congress Ministry came into office ambitious programmes were drawn up for rural development. Under the new 'Rural Development Scheme' the Government appointed new staff to organise 'better living societies'. 'The plan was to set up cooperative organisation with definite economic purposes like credit and joint sale and supply in the villages where the ground has been prepared by this propaganda for the organisation of better living through group effort.'

The subsequent growth of better living activities as shown by the large increase in the number of societies was the result of Government drive.

At present there are two classes of cooperative better living societies in the Province: one consisting of those under the Rural Development Department and the other of those under the Cooperative Department. A very large percentage of the total falls under the first class, the number of societies under the Cooperative Department being not more than 229 in 1943-44.

Separate better farming societies have been always few in number. The Central Better Farming Societies are nothing but

× Most of the societies are Better Living Societies.

1. Figures dropped due to consolidation.

2. Annual Report of Cooperative Societies, in U. P., 1936-37.

Seed Unions doing marketing and distribution of seed. The Registrar is of the opinion that they should be converted into Cooperative Marketing Unions.

The primary better farming societies also reported little special activity during 1943-44 and it will be better to either merge or convert them into village banks.

In addition to the separate better living and better farming societies a large number of credit societies also carry on many of the activities of these societies.

The work of the better living and better farming societies fall under 4 heads—Agricultural improvements effected, sanitary improvements carried out, work in connection with the curtailment of expenditure on ceremonials, and educational activity.

Agricultural Improvements Agricultural improvements effected by the societies include use of improved varieties of seed, new implements, greater use of chemical manures and better irrigation. So far as the use of better seeds is concerned only wheat and sugarcane crops have been effected. New implements introduced are generally meston ploughs and chaff cutters. Wells have also been constructed by the societies to offer better irrigation facilities to the members. To what extent attempts have been made by the societies to bring about agricultural improvements from year to year can be seen from the following table.

Year	Area under improved wheat acres	Area under Cane acres	Better implements	Rollers crusher	Area under chemical manures acres
1930-31	97 000	99 500	1 500	—	9 000
1936-37	(figs)	n.a.	5 000	10 678	10 000
1937-38	93 310	39 338	5 111	9 120	n.a.
1938-39	111 000	100 000	8 444	10 400	n.a.
1939-40	192 000	129 000	8 511	n.a.	n.a.
1940-41	196 000	148 000	13 961	n.a.	—
1941-42	134 000	196 000	14 89	14 888	—
1942-43	371 015	166 394	90 67	19 897	35 66
1943-44	n.a.	n.a.	21 352	13 111	41 893
1944-45	154 833	144 071	96 90	13 349	—

1. The Annual Report says that improved seeds are becoming popular.
2. Figures include only meston ploughs.
- * According to the Annual Report figures for other implements and Roller crushers showed an increase.
2. Figures only for societies under Coop. Deptt.
- n.a. = Figures not available.

The table shows that the better living and better farming societies have been able to do much by way of agricultural improvements. Still they have touched only the fringe of the problem. In spite of the large number of improved implements in use and the large area under improved cultivation a very small percentage of the villages in the Province has been affected by the better living activities.

So far as the general technique of agriculture is concerned there is hardly any change noticeable.

Sanitation: The sanitary activities of the better living and better farming societies include village aid schemes, construction of parapets on the wells, disinfection of wells, provision of medicine chests and dispensaries, construction of manure pits and training of *dais*. The following figures will show that substantial progress in making the rural surroundings more healthy has been made by the societies. The societies encourage sanitary practices and exhort their members to take steps necessary to avoid and combat epidemics which are quite common in the rural areas. Arrangements for vaccinations and inoculation are made by the societies and members have to get their children inoculated or vaccinated.

Year	Village aid Schemes	Aiders trained	Manure pits	Dais	Dispensaries	Wells parapets	Wells Disinfected.
1930-31	300	800	1,000	400	950	400	4000
1936-37	—	—	2,653	1,467	2,523	—	—
1937-38	—	2,596	—	1,586	2,564	4,054	—
1938-39	—	2,456	—	1,554	2,644	260	—
1939-40	—	—	—	1,780	3,053	1,925	—
1940-41	—	2,079	—	1,763	2,773	—	—
1941-42	—	1,887	—	1,914	3,109	2,695	15,135
1942-43	839	1,930	5,333	1,626	2,564	2,196	13,270
1943-44	682	Figures	not	available	2,571	3,068	12,166
1944-45	738	Figures	not	available	2,041	2,045	11,399

In 1943 there were as many as 5,333 villages where the members kept their manure in manure pits outside the inhabited areas. Thus almost all the villages under better living societies have got rid of the practice of keeping manure in pits within the *abadi*. This step in itself has cleaned the villages a good deal.

Disinfection of wells and construction of parapets have also reduced the incidence of diseases in the villages by making the sources of water supply clean. At the same time the villages can

obtain treatment for the common ailments from the dispensaries or the societies. Services of trained *dais* and village first aiders have been made increasingly available by the societies. There is thus no doubt that the villages under the better living and better farming societies have amply striven towards better health of the people in the rural areas.

Curtailment of Expenses The societies have, also tried to curtail expenses on marriages and other ceremonies and festivals. But the achievement in this direction has not been as great as in sanitation or agricultural improvements. Old customs like old prejudices die hard and the progress, therefore in this direction could not be expected to be rapid. All the same something has been done and with proper propaganda much can be achieved.

In 1933 it is estimated that a saving of Rs one lakh was effected over ceremonies, mostly marriages and the next year economies were carried out in 422 ceremonies. The figures are only estimates. It can not be known exactly to what extent the members of the societies have benefitted from such activities and as such it is no use discussing figures.

Educational Since the reform of bad customs and the development of sanitary habits depend on education the societies have undertaken educational activities also. Many of the better living and better farming societies run schools for the education of the members and their children.

Factors retarding greater development Although better living and better farming societies have done much they have not been able to achieve what was expected of them.

The mental outlook of the rural masses has not changed. They have undertaken improvements not because they want it or are convinced of their usefulness but because they have been told to do so. The societies have not been able to create an urge for better life among the people. A change in outlook can come only from education and intensive propaganda and both of them have not been adequately undertaken by the societies.

Another reason for the failure of the societies to bring about drastic changes in the living conditions is the lack of enthusiasm among the officials of the Rural Development Department who were responsible for the rapid expansion of better living activities.

The officials care more for their pay than for the welfare work and perform their duties in a perfunctory manner. Missionary spirit is infectious, and if the work was undertaken with that spirit enthusiasm of the organisers would have spread and a real demand for continuing efforts for improving living conditions would have continued. Town bred officials have little in common with the village people and can never win their confidence.

The societies being run by a Government Department, the rural masses are suspicious of them. They give an impression that there must be some ulterior motive of the Government in organising better living activities. They fear that all this is being done so that the Government may have a larger income from land revenue. They, therefore, do not heartily cooperate with their societies. For the improvement of rural conditions wholehearted cooperation of the people is absolutely essential and without such cooperation better living activities can never succeed.

The restricted development of better living activities has, again, been due to inadequacy of finances. If the living conditions of the millions of people living in the rural areas have to be improved a large amount of expenditure must be incurred for at least a few years. As the people realise the utility of better living activities they will begin to contribute themselves. But to start with the burden of financing the activities has to be borne by those who initiate the scheme. So long as the Congress was in power in the Province within their limited resources they made provisions for such activities. They, however, stayed in office for only a short period and the grant made by the Government after the Congress Ministry went out of office decreased considerably. Better living activities could, therefore, never reach a stage where their usefulness could be clearly demonstrated and people persuaded to continue such activities voluntarily.

No thinking man can deny that in the interests of national progress better living activities are urgently required in the Province. Steps should, therefore, be taken to rehabilitate better living and better farming societies on a sounder basis. Better living activities provide a good training in the principles and practices of cooperation without which there is little hope for agricultural regeneration.

Steps suggested: Better living and better farming societies should not attempt too much at the beginning. It is, no doubt,

true that agricultural improvements, sanitation, reform of bad customs etc are all very desirable but it must be remembered that a child must learn to walk first before he can run. A great deal would have been achieved if the societies undertook education of the members and their children, and carried on intensive propaganda for better living activities. Once through education and propaganda the rural masses were made conscious of their unsatisfactory situation the other improvements would not have taken much time to follow and would have come much more rapidly. The main problem for the societies is to create initiative and urge which can only come by dining, in and out of season, into the ears of the people the unhappy situation they are placed in and the need for improvement.

People should also be made to feel that the societies are for their own benefit and have no ulterior designs. Official control should, therefore, not be apparent. The officials should influence influential non officials to take interests in the better living activities and organise them.

Greatest care is also, necessary in selecting officials for running and supervising better living and better farming societies. They should be people from rural areas who understand rural problems and have sympathy with the rural population. Only then enthusiasm for the work among the officials can be assured. It would be better if all the societies are transferred to the Cooperative Department.

Any Government worthy of its name must be primarily responsible for the welfare of the people. It should not grudge spending on the welfare activities. Government grant for this purpose must be considerably increased if the activities are to be extended.

Better results can be achieved if the societies are organised, wherever possible, on the basis of 'Brotherhood'. Organisation on this basis will no doubt stereotype caste distinctions but we have to face the facts. Social and religious customs, the general outlook and other conditions can be better tackled by such societies as there is uniformity in these in a Brotherhood. The help of the 'biradari' panchayat will be available to the societies and reforms would be effectively carried out.

CHAPTER XX

COOPERATIVE CONSOLIDATION OF HOLDINGS SOCIETIES

We have seen in the previous chapter that in order to raise the standard of living of the rural masses an attempt has been made by the better living and better farming societies to bring about agricultural improvements by introducing good seeds, improved implements, better manure and better irrigational facilities.

The success in this direction has not been remarkable mostly due to the subdivision and fragmentation of holdings prevailing in the Province.

So long as the joint family system was intact land was not subdivided after the death of a member of the family. With the break-up of this old institution, as a result of the impact of western ideas and civilisation, subdivision has increased considerably.

The laws of inheritance and succession have made the matters worse. A successor is entitled to an equal share in the different soil areas and he generally exercises this right. The result is that the land is not only subdivided, the holdings are scattered also.

Evils resulting from fragmentation: The evils of fragmentation are patent enough to need a detailed discussion.

The plots being scattered cannot be supervised. Time and energy are wasted in going from one plot to another. Land is wasted in boundary lines. Frequent litigation occurs due to boundary disputes and trespasses. Improved implements cannot be used as the size of plots is too small. It is beyond the means of an average cultivator to sink a well for every plot, and lands cannot be properly irrigated. Under such conditions agricultural operations become stereotyped and better farming cannot be undertaken.

The disadvantages are so glaring that it has long been recognised that in order to make the cultivator prosperous fragmentation should be reduced. But how this can be achieved has always been a problem. The problem, which is not peculiar to the Province only, has been tackled in the West through legislative measures but not much success could be achieved. In India, in

the Punjab a new method was tried by Mr Calvert in 1920 Consolidation of holdings was attempted on a cooperative basis The method at once became a success and the Government of the U P also suggested to the Registrar of the Government of the Punjab in 1923-24 to take up the work of consolidation of holdings on the lines of the Punjab They recommended that as an experimental measure cooperative consolidation of holdings societies should be organised in Meerut division Consequently the first society of this type was opened after a good deal of propaganda in Saharanpur in 1923-26

Constitution of a Cooperative Consolidation of Holdings Society The objects of a consolidation of holdings society are (i) to promote the economic interests of the members (ii) to introduce better farming and (iii) particularly to secure a beneficial rearrangement of holdings and to avoid loss and waste due to fragmentation

Membership of the society is open to landowners, tenants and other persons connected with land in the area of operation

A member joining the society has to file a statement that he (a) agrees to the principle of rearrangement of holdings so that more compact blocks may be secured by every member, (b) agrees to abide by the decision of 2/3rd majority regarding any rearrangement (c) agrees to accept any arrangement approved by 90% of the members owning or having interest in 75% of the area (d) agrees to permit fresh rearrangement and give up possession of his land in favour of the society, (e) agrees to refer all disputes including disputes regarding rights boundaries rent, responsibility for land revenue etc. to arbitration and (f) agrees to abide by the decisions about distribution and rearrangements of the consolidated area passed by a 2/3rd majority

The general qualifications for membership are those laid down in the Act

Funds Funds in the society come from (a) admission fees, (b) profits and reserves and (c) subscriptions and donations

Admission fee is charged on the basis of the rent or revenue paid by the member according to the following scale

Upto Rs 5	1/2
Between Rs 5 and Rs 20	1/4
Between Rs 20 and 50	1/8
Over Rs 50	1/1

The rate of subscription charged from the members is determined by the General Meeting.

Liability : The liability of the members for the debts of the society is limited to Rs. 5.

Administration: As usual the General Meeting is the supreme authority. Two important functions of the meeting are determination of the rate of subscription and discussion and approval of all proposals for rearrangement of holdings.

The General Meeting elects a managing committee of at least 5 members.

The committee draws up a plan of rearrangement of holdings according to the accepted principle and submits it for approval to the General Meeting. It gives effect to the approved scheme. If necessary, it may also formulate a scheme of rearrangement of consolidated holdings and get the sanction of the General Meeting for the same. The transfer of land according to a scheme of consolidation is a permanent one.

The members of the society can exercise only one vote. No proxies are permitted but written opinions on matters in the agenda can be submitted by an absentee member.

The chief officer of the society is the secretary appointed by the Committee. He may be paid an honorarium if he is not a member of the Committee.

Registers : The society among other records maintains a *khetanni*, a map of consolidated area, a list showing the area of land of each member, and a field book.

One of the members living in the village or an official of the society is appointed to keep the registers and papers of the society.

The profits of the society are indivisible.

The societies in the U. P. are organised on a purely voluntary basis. Intensive propaganda is carried on for consolidation of holdings before steps are taken to organise the society. Societies are registered when proposals for consolidation are complete and have received the assent of every applicant for membership. The work is done by persuasion. Sometime the efforts for consolidation are wasted because one or two members fail to agree to a proposal.

The progress of the societies and the work done is evident from the following table

Year	Number of Societies	Area consolidated during the year	Area consolidated so far
		very small	very small
1935-36	82	Do	Do
1936-37	94	8,800 Bighas	56,000 Bighas
1937-38	118	12,075 "	67,000 "
1938-39	147	11,064 "	77,072 "
1939-40	182	22,000 "	100,000 "
1940-41	218	8,711 " over	100,000 "
1941-42	223	8,597 "	Do
1942-43	267	15,128 "	120,125 "
1943-44	283	6,907 "	127,032 " x
1944-45	291		

The number of plots has been reduced considerably as a result of consolidation as is evident from the following table

Year	Plots consolidated	Number after consolidation
		3,500
1935-36	35,200	3,900
1936-37	39,000	1,290
1937-38	11,992	1,672
1938-39	12,822	1/10
1939-40	—	2,870
1940-41	21,042	834
1941-42	4,180	2,639
1942-43	25,835	2,231
1943-44	18,042	904
1945-55	5,461	

The total number of plots consolidated upto 1943-44 was 1,67,142. This number was reduced to 17,647 after consolidation.

Although these are tangible results very little ground has so far been covered by the consolidation of holdings societies. The total cultivated area in the Province in 1938-39 was 68,046,609 acres of which only 41,875 acres had been brought under consolidation. Even in 1945 the figures for the total area consolidated was only a little more than 12 million acres. The percentage of area consolidated to the total cultivated area thus stood at 18.

x According to the calculations of the Department the total consolidated area upto 1945 is only 81,965 acres. This figure is obviously incorrect.

In view of the urgent need for consolidation of holdings the achievements of cooperative consolidation of holdings movement are poor indeed.

Difficulties : Difficulties in the work of consolidation have been felt from the very beginning. Not till consolidation of holdings gives rise to better farming can the advantages of consolidation be brought home to the minds of the agriculturists. With that in view, as early as 1927, the experiment of consolidating the holdings of a few selected tenants and introduction of better farming on their land was tried. The object was to achieve through demonstration what could not be done otherwise. But the experiment failed as the cultivators did not come forward to get their holdings consolidated individually. The work of consolidation had, therefore, to proceed on the old lines, purely by persuasion of all the cultivators of an area.

Besides the difficulty of making cultivators agree to a plan of consolidation another difficulty the societies have to face is that mortgagees are not willing to join in the scheme of consolidation. They are afraid of losing the security for the loans advanced against mortgages.

Many cultivators, again, are not willing to join the consolidation societies because they have held their plots for generations and are quite attached to them. They do not want to part with their plots.

Minors and absentee land-owners also create difficulties. The guardians of the minors hesitate to consolidate the land of the minors. They fear legal action, that the minors may take, when they attain majority.

The help given by the state, too, has been meagre. There were only 12 supervisors detailed for the work of consolidation in 1936-37 in the U. P., while in the Punjab no fewer than 224 Cooperative Inspectors were engaged in this work.

Another difficulty, which is not fully appreciated by the officials and general public, has been the hostile attitude of the *Patwari*. Once the area is consolidated the *Patwari* loses his hold over the cultivators, and one of the chief sources of his outside income disappears. He, therefore, never encourages consolidation. Since his hold on the masses is sufficiently strong, he, very often, is responsible for failures of attempts at consolidation of holdings.

But the greatest difficulty of the consolidation of holdings societies is the complexity of land tenures in the Province. Land tenures are not simple as in the Punjab. There are different types of rights in land. If these rights are to be transferred to new plots and blocks they must be exactly determined. Expert legal assistance is thus necessary. At the same time land holders also remain afraid of losing their rights.

Even if once consolidation is effected the process of subdivision starts again as the original members pass away and in course of time a fresh rearrangement of plots has to be undertaken.

In view of these heavy odds it is surprising indeed that consolidation has at all been possible.

U P Consolidation of Holdings Act, 1939 It has now been recognised that voluntary efforts alone cannot bring about a rapid consolidation of holdings, a feature absolutely necessary for the improvement of agricultural production, and some sort of compulsion is necessary. On this basis the Government have passed an Act known as 'The U P Consolidation of Holdings Act, 1939'. The Act extends to the whole of the Province except the Kumaon Division, Jaunsar Bawar Pargana of the Dehra Dun district and a portion of Mirzapur district, south of Kaimur Range.

The Act, however, provided that Government may, by notification in the official Gazette direct that the Act shall apply to the Kumaon Division or any portion thereof.

The Act came into force on the 27th January, 1940.

According to the Act the proprietor of a village or *mahals*, or the *lambarदार*, or the cultivator of more than 1/3rd the total cultivated area of the village may apply to the consolidation officer for an order of consolidation of such a village. In the application a list of their holdings and the areas of such holdings have to be given.

After the application has been received the consolidation officer notifies that an application for consolidation has been made and invites objections. Such objections must be filed within a month. After hearing the objections an order is passed for consolidation unless it is found that the applicants do not cultivate more than 1/3rd the cultivated area or the Collector thinks that such an order should not be given. The decision of the consolidation

regarding whether a person is or is not the cultivator of a plot is appealable. Consolidation can also be ordered by the Collector of the district.

In case an application for consolidation has been made, application for partition of the village or the *mahal* is not to be made till orders on application for consolidation have been passed. And if an application for partition is pending in any court an application for the consolidation of the same land is not to be accepted.

When an order for consolidation is passed the Consolidation Officer has to test the accuracy of the village map and decide whether a resurvey or correction of the map is necessary. If in his opinion a resurvey or correction is needed, he applies to the Collector to place the village under survey or record operations. But if they are not needed, he visits the village after due notice, consults the people concerned and draws up a scheme of consolidation.

The scheme so drawn up must be set forth in writing and by means of a map indicate how consolidation is to be effected. The scheme must also show which holding is allotted in encharge of each holding. The re-arrangement should be so made that the land allotted is suitable for growing the principal crops raised in the village, and the value of new holdings is the same as that of the original ones. The holdings have to be clearly demarcated. If the value of holdings allotted is less than the value of the previous holdings, compensation has to be paid by such cultivators who get in excess of the value of their original land.

When the scheme is complete, the map and the records are open to inspection in the Consolidation Officer's office and the village. Objections can be submitted within a month. The objections are then decided in the village and the scheme modified accordingly. After this the scheme is submitted to the Collector for confirmation. If confirmed, the Collector issues a proclamation and the scheme comes into operation on July 1st the next year.

The consolidation officer bears in mind the improvements effected by the cultivators in their land and tries to allot the plots

1. Cultivators—persons other than subtenant or a tenant of sir who cultivate land. In case of a joint holding the whole body of cultivators who are joint is included.

to such cultivators In case this is not possible compensations for improvements are paid

Any amount due from a cultivator is recoverable as arrears of land revenue

The Act also provides that after consolidation the original rights will be passed on to new holdings, lease or mortgages also will be so transferred

Appeals against decision on objections, compensation etc. lie to the Collector within 60 days of the passing of the order The Collector has also the power to call for record and proceedings and to refer the matter to the Board of Revenue

No suit under the Act lies in a Civil Court regarding matters arising out of consolidation and the limitation Act too does not apply

The Consolidation Officer determines the cost of consolidation and distributes it among the persons affected

Proceedings under the Act are exempt from the court fees.

Directions concerning various matters can be issued by the Board of Revenue

Since the passing of the Act the work of consolidation is being carried on by the cooperative societies and consolidation officers side by side

The cost of consolidation per acre came to Rs 1/8 in 1943-44 in the consolidation of holdings societies

The future During the post war years great changes are expected in every sphere of national life in the Province An attempt will be made to have a planned agricultural development in order to increase agricultural production qualitatively and quantitatively The very first step necessary for this will be a re arrangement of holdings to ensure better supervision of agricultural operations, better irrigation and a more economic size Consolidation through the consolidation officers appointed under the Act of 1939 will not be great, however It is bound to look suspicious However good the intentions of the authorities may be their actions are likely to be misconstrued There is already a general tendency to regard consolidation through this agency as Government sponsored with an ulterior motive of increasing land revenue and rent

Under such circumstances if a rapid consolidation of holdings is desired there is no alternative but to undertake it on a cooperative basis. Cooperative consolidation of holdings societies, therefore, have a great future if the defects in their organisation and working which have been revealed by the past experiences are removed.

How the Consolidation of Holdings Societies can be made more effective : Consolidation of Holdings Societies have so far been registered only when a scheme of consolidation has been agreed to. Due to the obstinacy of one or two individuals sometime consolidation had to be dropped. A consolidation of holdings society should be registered even though there is no agreed scheme of consolidation provided the people believe in the idea of consolidation. Once it has been registered the decision of a 2/3rd majority will be binding on all the members, and simply because a complete unanimity regarding a scheme is not possible the work of consolidation will not be given up. The societies will have to enforce their by-law regarding the applicability of a 2/3rd majority decision to all the members rigidly.

The Government also should come forward with a more liberal grant for the consolidation of holdings society. After all the state will benefit from consolidation of holdings. Where, as a result of better farming, agricultural production is larger and better the revenues realised by the Government would increase. It is, therefore, in the interest of the Government to bear the cost of consolidation.

The handicaps which the societies have faced so far due to the presence of mortgages and minors can be easily overcome. If the mortgagees are assured that they will lose nothing by consolidation and if the guardians of the minors are made immune from legal action in respect of consolidation of holdings of their wards such persons will raise no objection to consolidation of holdings. Here, again, the help of the State would be necessary. Government would have to enact that the same rights which a mortgagor has over the land originally mortgaged will be transferred to new plots held by the mortgagor if the holdings are consolidated. Similarly the Government would also have to declare that no suits will lie in any court against the guardians of the minors in respect of consolidation effected through a consolidation of holdings society.

The method which was adopted in the beginning of the Movement in the Punjab may with advantage be tried in the U. P.

and consolidation affected may be rescinded after 4 years if there is a 2/3 majority against it. This measure will induce more cultivators to try the experiment.

Reforms in the Land Tenures of the U P are required to make them simple and less complicated. If this is done determination of the rights of individuals in land will neither be difficult nor expensive and cultivators, having no fears of losing their rights in land as a result of consolidation, will not hesitate to join cooperative consolidation of holdings societies.

Above all a revision of the laws of inheritance and succession is an urgent necessity in order to make the benefits conferred by consolidation of holdings societies lasting. So long as the present laws remain operative even if the holdings are consolidated the process of subdivision is not stopped and in due course of time a fresh re arrangement becomes necessary. In order to maintain agricultural improvements brought about by consolidation something will have to be done to stop this continuous process. The difficulties in changing the laws are great as the laws are based on religious sanctions but in the interest of the welfare of the people of the Province even this drastic change has to be attempted.

A vigorous propaganda for consolidation with a large number of demonstration farms scattered all over the Province in the villages where agricultural operations with ordinary improved tools are carried on will create an urge among the rural masses for consolidation of holdings and the societies will grow in number and become more effective.

CHAPTER XXI

IRRIGATION SOCIETIES

Agriculture in India has very aptly been described as 'a gamble in monsoon.' Rainfall is neither regular nor well distributed over the U.P. There are many tracts where, even in a normal year, irrigation of ordinary crops is necessary.

Even in pre-British days the State recognised the importance of good irrigation and constructed canals and tanks, but in the chaos that preceded the British rule many of the irrigation works were destroyed or fell into disrepair. The British Government have spent huge amounts to make some of the works serviceable and to provide a net-work of canals in the Province. But over a large area in the Province still the cultivators have to depend upon their own resources and a greater portion of the cultivated area has to be irrigated from wells and tanks which are privately constructed and owned.

Subdivision and scatteredness of holdings, however, make satisfactory irrigation impossible. The plots are so tiny and scattered that it is not within the means of an average cultivator to sink a well in each plot to irrigate it. The result is that no better farming can be undertaken for want of sufficient water.

So long as traditional agriculture was practised the people did not feel the necessity of improved irrigation so much. Now, however, there is a tendency for commercialised agriculture, and it has been increasingly realised that intensive farming of cash crops can not be undertaken without improving the sources of water supply and utilising all the water that is available for irrigation purposes.

In 1929-30, therefore, irrigation was organised on a cooperative basis and two cooperative irrigation societies were started.

Constitution and working : The objects of a Cooperative Irrigation Society are (i) to provide suitable means of irrigation for the members, (ii) to raise loans wherever necessary and to advance loans to the members, (iii) to provide water lifting appliances and (iv) to develop mutual aid, self respect and self dependence among the members in order to make them better cooperators.

The area of operation is generally confined to one village although in some cases the society covers a number of adjacent villages

Membership Membership is open to all people, otherwise qualified for membership under the Act of 1912, who own or cultivate land within the area of operation. Among other things, membership ceases if the member abandons cultivation or ceases to own land in the village

Funds The funds of the societies are derived from (a) admission fees, (b) subscriptions, (c) deposits, (d) loans and (e) donations, the Reserve and other funds and undistributed profits

The admission fee is Re 1 and has to be paid on admission by every member. Without it membership is not complete

For special works undertaken the members are also called upon to subscribe according to the area of land to be irrigated

Loans and deposits are accepted by the societies subject to the maximum liability to be incurred in any year fixed by the General Meeting

Loans from the Society The society can advance cash loans to the members for purchasing appliances. Subscriptions for special works undertaken by the society can also be paid in instalments provided the member executes a loan bond in favour of the society for the sum assessed for him. If this method of payment is adopted the sum due is treated as a loan and interest has to be paid over it. The rate of interest and the instalments are determined by the society

Liability The liability of the members for the debts of the society is limited to Rs 10 only. The liability is in addition to what is due from the member in respect of subscriptions for special works

Administration The General Meeting exercises the supreme authority. In addition to functions usual to it the general meeting has to perform some special functions also. It decides which irrigation works are to be constructed, fixes the rate of interest to be charged from the members, determines the irrigation charges to be levied and allots the day and the time for irrigation of each member's land

Committee of management (Panchayat): The general meeting elects a Committee of Management (The *panchayat*) consisting of 5 members including the President and the Treasurer.

The Committee raises loans and deposits, recovers irrigation charges and instalments, arranges construction or repairs of irrigation works and sees that water is not wasted. It is a special responsibility of the Committee to see that the members get water on their turns and the time for which irrigation is sanctioned is not exceeded.

In general, the Committee is required to manage the society so that the policy and the wishes of the general meeting are effectively carried out.

The chief executive officer of the society is the President who has all the powers of the Committee in emergencies.

An other office bearer is the Secretary who maintains the accounts and looks after the office.

Books and Registers: The Society has to maintain a ledger showing the account of each member, a pass book for each member, a register showing regulations laying down the procedure for the working of the society and a '*khasra*' showing the number and area etc., of the plots held by the members.

Profits: Out of the profits 25% at least has to be credited to a Reserve Fund. Out of the rest 1/10th with the Registrar's approval can be devoted to a charitable purpose. A bonus can also be paid to members on the basis of irrigation charges paid by them provided that not more than 50% of the distributable profits is so used up. Other funds like a Bad Debt Fund can be created and a portion can be carried forward to the next year.

The Reserve Fund is indivisible.

Working: The society constructs new channels of irrigation—wells or tanks—and improves old ones if there are any. New constructions and improvements are taken up so that sufficient water for irrigation purposes may be available for the land belonging to the members.

For each construction a subscription is levied on the members according to the area irrigated, and thus the cost is recovered. Payment is either in cash or in loan bonds.

The members have to observe the rules and regulations in respect of days and time of irrigation and the payment of irrigation charges laid down by the society

In case a member acts in a manner detrimental to the society or fails to either observe the rules or make punctual payments, the society has the powers to punish such members. It may cut off water supply from his plot for some time or impose a penalty not exceeding Rs 50/ Irrigation charges can be doubled and in serious cases a member may even be expelled

Progress The progress of cooperative irrigation societies in the U P can be gauged from the following figures

Year	1929-30	1930-31	1931-32	1932-33	1933-34
number of societies	2	6	15	20	27
Year	1934-35	1935-36	1936-37	1937-38	1938-39
number of societies	1c	1c	1c	1c	1c
Year	1939-40	1940-41	1941-42	1942-43	1943-44
number of societies	1c	1c	1c	1c	1c
	143	155	156	153	146
					143

In 1943-44 the irrigation societies were spread over 21 districts of the Province. The largest number of the societies is distributed in the districts of Moradabad, Allahabad, Bareilly, Etawah and Muzaffarnagar, which have 63, 14, 10, 8 and 7 respectively

The irrigation societies in the Province have constructed new wells, bored existing ones and provided improved water lifting appliances to the members

The Central Society at Attarchandi (Bareilly) has put up bunds and supplies water for irrigation purposes to the members of societies near about by turns

When the hydro-electric scheme was developed and tube wells came into existence irrigation societies were started to organise distribution of water and collection of charges

An idea of how far irrigational facilities are being provided by the society can be had from the figures of 1943-44. During that year 873 wells were bored, 6167 new wells were constructed and 1288 improved appliances for irrigation were in use

The number of improved appliances introduced has gone on increasing. While in 1933-34 there were only 256 appliances in use the number increased to 1,716 in 1942-43

During the last four years the scarcity of building materials and appliances has been responsible for slowing the pace of improvements in the societies.

As is apparent from the figures given above, the progress of cooperative irrigation can hardly be called satisfactory. Out of the 48 districts there are only 21 where cooperative irrigation is undertaken and even in these districts not more than a few villages can boast of a cooperative irrigation society. Cooperative irrigation has thus hardly touched the fringe of the problem. Over a very large area irrigation is completely unorganised still and the cultivator has to do it individually as best he can.

Reasons for slow growth: The main reasons why the societies have not multiplied themselves many times have been the differences regarding the order of precedence in which water is to be taken by the members of the society. Factions are the bane of rural life and have been responsible for the deterioration of many a society.

Another difficulty has been that long term finance has not been easily available.

The feeling that joint property is neglected by all has also been responsible for the indifference of the people.

The future: The last war has changed the situation completely. In order to restore normal conditions in the Province during the post war years big schemes of post war reconstruction have been drawn up. Among these schemes hydro-electric development and extension of the canal system find a very important place. Cooperative Irrigation Societies, therefore, have a very bright future before them. When the hydro-electric grid is extended the whole of the Province can be covered with tube wells constructed at the cost of the State for irrigational purposes. Organisation of cooperative societies for the tube well areas will be the best method to ensure that the water is equitably distributed, that no wastage occurs and that the irrigation charges are promptly realised without too much official interference.

Apart from the development of hydro-electricity the post-war plans envisage a great development of agriculture also. A drive for better farming is inevitable, therefore, within a short time. Better farming will necessitate an extensive development of irrigation facilities every where and this opportunity should be taken to develop irrigation societies on a large scale.

CHAPTER XXII

GUARANTEERING UNIONS

After the passing of Act of 1912 the number of district banks increased considerably. The bank was responsible for the supervision and financing of co-operative societies under it. Such banks, having a very large area of operation could not maintain a proper touch with the societies away from the headquarters and hence could not exercise effective control over them.

In order to expand their financial operations, on the other hand, they brought into existence a large number of societies without taking into consideration the conditions precedent to their sound working.

Applications from the primary societies for loans were in most cases decided on the report of the paid staff of the banks and the mutual intimate knowledge between the lenders and the borrowers, which is the essence of co-operative banking, was conspicuous by its absence.

The Registrar, Mr Freemantle, rightly considered these defects to be grave and devised the system of small central banks with headquarters in the interior of the district. These banks were to work under the control of the district bank and were to supervise co-operative credit societies in their area.

This system, also, soon showed some weaknesses. The small banks failed to attract sufficient local capital and had to depend upon the district bank. A small central bank being an intermediary between the district bank and primary societies, a margin for it had to be provided out of the difference between the rate of interest charged by the bank and the co-operative societies.

These banks, also, failed to secure the honourary services of suitable persons to manage them.

The Registrar of the Co-operative Societies, therefore, in a paper read before the UP Co-operative Conference in 1916, suggested the introduction of guaranteeing unions of the type working in Burma.

The first Guaranteeing Union was organised in 1916-17 in Bijnor. Subsequently the number of such unions increased in the Province.

The objects: The objects of a guaranteeing unions were two-fold. Firstly, the aim of the Unions was to supervise effectively the working of the cooperative societies affiliated to them and to undertake further development of cooperative activity in the area. Secondly, they attempted to assess the credit of the co-operative societies and offer a guarantee on that basis to the financing institution.

The Unions were to decide matters of common interest and to advise and assist the affiliated societies.

Membership: Membership of the Union was open to all registered societies within a radius of 5 miles from the head-quarter of the Union.

On admission the Chairman and 2 members of the committee of management had to sign a declaration accepting the right, duties and liabilities of membership.

Any member society could be expelled for wilful disregard of the by-laws or any other regulations and for bad or careless management of the society.

Rights and Duties of Society: The members had the right to have the accounts and the management supervised by the Union Committee and the Union staff and to have their borrowings guaranteed.

The societies on their part had to administer their affairs according to the by-laws and to carry out all the instructions received from the Union. Any change in the financial position of the societies had to be intimated to the Union Committee. All facilities for inspection had to be provided to the Union staff. The societies could not take any loans or deposits in excess of the limits fixed by the Union.

Liability: The Union itself undertook no financial responsibility but the liability of every affiliated society for the debts of affiliated societies was limited to the maximum amount of loans held from non-members during the previous 12 months or to 1/2 the total working capital of the society, whichever was greater.

The liability of a past member continued for two years after the cessation of membership.

Funds: The funds of the Union came from the societies' contributions at rates determined by the General Meeting and approved by the Registrar.

Administration: The General Meeting was the highest authority and consisted of delegates elected by the affiliated societies.

A society having less than 25 members sent one, societies having less than 50 members 2 each and those having more than 50 members 3 delegates each

The powers of the General Meeting were the same as in credit societies

The General Meeting elected a Union Committee of 50 members. An outsider could also be elected by the General Meeting for special reasons with the permission of the Registrar

The Union Committee admitted new members and considered all applications for loans from the affiliated societies. It recommended the application for loans to the Bank and acted as Bank's agent for distributing sanctioned loans. The Committee was responsible for seeing that the societies paid their debts punctually and carried out their work according to the audit and inspection notes. All affiliated societies had to be inspected at least twice a year by two members of the Union Committee

Progress The progress of the Unions in the U P is evident from the following table

Year	Number of union	Societies affiliated	Number of members affiliated societies	Total working capital of societies Rs.
				8 220
1916 17	1	9	166	13,363
1917 18	1	13	269	44,025
1918 19	4	48	1,131	139,675
1919-20	10	103	2 870	248 631
1920-21	10	144	4 107	148,281
1921 22	9	104	3,016	170,485
1922 23	9	102	2 918	74,656
1922 23	9	42	1,094	78 547
1923 24	6	41	1,058	82 660
1924-25	2	41	1,018	79 036
1925-26	2	41	1 015	80 696
1926-27	2	41	935	85,673
1927 28	2	41	857	60 353
1928 29	2	34	697	74,570
1929-30	2	32	589	72 589
1930-31	2	31	626	
1931 32	2			

The first Union, as mentioned before, was started in Bijnor and the last to go out of existence were the Bijnor Unions. From the table it is clear that the Unions never became popular in the Province. The number grew between 1917 to 1921 but since then a steady decline set in

The Unions could neither relieve the central and district banks nor could they secure better terms from the banks for the affiliated societies. They were found to be an unnecessary institution and died a natural death.

Causes of Decline: The causes of decline of the guaranteeing Unions were many.

(i) The Unions did not have sufficient funds to employ an adequate supervising staff. The supervision of the societies could not be undertaken efficiently and the banks got no relief.

(ii) The additional guarantee offered by the Unions was more or less a paper guarantee. The affiliated societies all had unlimited liability already.

(iii) The Unions, not being an institution due to the spontaneous demands of the societies themselves, were regarded to be institutions for the benefits of the financing banks. The advantages to the societies were only imperfectly realised.

(iv) The Unions also failed to secure any reduction in the rates of interest charged by the banks. The societies, thus, did not receive any advantages in return for the additional liabilities undertaken by them and were unwilling to join the Union.

With better cooperative education and support from the banks the guaranteeing unions were capable of benefitting both the cooperative societies and the central banks. Time was not yet ripe for their introduction and like many good intentions they also miscarried.

Since then a new system of supervision has been devised in the Province making the establishment of guaranteeing or supervising unions unnecessary. The Provincial Cooperative Union was instituted in 1928 to which supervision and development were transferred by the banks.

The central banks are now concerned with only the financing of the movement. With the opening of the Cooperative Provincial Bank in the U. P. it is hoped that the banks will find no financial difficulty in meeting the requirements of the societies and will be in a position to finance the movement satisfactorily.

If at any time due to the expansion of the financial operations of the banks any link between the primaries and the banks is considered desirable, guaranteeing unions will be well-worth a trial because cooperative education now is more advanced than what it was two decades back.

CHAPTER XXIII

CENTRAL BANKING UNIONS CENTRAL AND DISTRICT BANKS

Under the Cooperative Societies Act of 1904 higher cooperative finance was not recognised. Recognition was given only to rural and urban credit societies. Between 1904-1912 a large number of cooperative societies sprang up in the Province. In the absence of a central institution the credit societies had to face many difficulties.

Difficulties of Cooperative Societies in the absence of a Central Institution (a) The societies could not attract sufficient capital to meet the requirements of their members. People in the rural areas did not have much to invest and those who had did not consider cooperative societies quite safe.

The joint stock banks in the Province were however, not suited to help the primary societies.

The security which the cooperative societies demanded was personal and therefore, unsuitable for a joint stock bank which insisted on material security.

Cooperative Societies again lend for comparatively longer periods and hence the joint stock banks are reluctant to accommodate them. Joint Stock Banks want a quick turn over and cannot afford to lock up their capital in agricultural credit.

Any institution which advances money to primary societies in order to be successful must exercise careful supervision over the societies which is not possible in the case of joint stock banks.

(b) The work of the credit societies remained unco-ordinated. Only the Cooperative Department could supervise the movement but the supervision could not be close. This type of supervision was not desirable either. Cooperation is a people's movement and internal supervision must be provided by cooperative institutions themselves.

(c) Further development of co-operative activity in the absence of a central institution was greatly hampered. The

Cooperative Department did organise co-operative societies in different areas but the societies, not being initiated by the people themselves could not possess a strong cooperative character.

It was to remove these difficulties that central institutions were recognised in 1912.

Central Institutions before 1912 Act: Even before the amendment of the Act of 1904 central institutions existed, however, in the U. P. The pre-Act societies had a wide area of operation and when they were registered as co-operative societies they were organised into *Patti Societies*. These banks were nothing more than central institutions dealing with societies as branches and not as independent societies. When the Act of 1912 was passed many new central and district banks came into existence in the Province.

Different types of Central Institutions: Three Different types of central institutions have been evolved in the U. P. with a process of trial and error. There are district banks covering the whole of the district, central banks working in the interior of the district in a smaller area and central banking unions having only co-operative societies as their share-holders.

(i) Banking Unions Objects ^a: The objects of the Banking Unions are to finance co-operative societies affiliated to them and to supervise and develop co-operative societies in their area of operation.

Area of operation: The area of operation of the banking unions should not be very wide as effective supervision over the societies will not be possible in that case. The area of operation has to be determined with reference to the facilities of supervision.

Membership: Membership of the Union is open only to registered co-operative societies in the area. Individuals are not admitted to the membership of the Union.

Funds: The funds of the banking unions come from the following sources: (a) Shares, (b) Deposits, (c) Loans and (d) Reserve Funds and profits.

Shares: The value of shares according to the by-laws is Rs. 100. Only Rs. 25 are called up—Rs. 2/8 on allotment and

* According to by-laws of the U. P.

Rs 22/8 in nine half yearly equated instalments The rest Rs 75 remains a reserve liability to be called up in the event of liquidation or on a resolution passed by the general meeting of the Union specially called for that purpose with the sanction of the Registrar

The shares are neither transferable nor withdrawable except as provided in the Government rules

Loans and Deposits Loans and deposits are accepted by the Union subject to the limitations placed by the general meeting The general meeting fixes the maximum liability to be incurred by the banking union during the year and the loans and deposits can not exceed this amount

Reserve Fund and Profits At least $\frac{1}{4}$ th of the net profits is carried to a Reserve Fund Other funds are also created out of the profits, and any undistributed profits are carried over to the next year's profits These, in course of time, when there are sufficient accumulation, can be used as working capital if necessity arises

The liability of the member societies for the debts of the Union is limited to the nominal value of the shares held

Administration For the purposes of administration there are 4 different bodies and officers (a) The general body which lays down the policy to be followed by the Union, (b) the Board of Directors which is the chief deliberative and governing body of the Union, (c) an Executive Committee which is the chief executive and administrative body and (d) the Managing Director who is responsible for the proper working of the Union

General Body Each affiliated society is represented by one delegate in the general meeting

The general meeting fixes the maximum liability to be incurred by the Union, elects the Directors for the year, decides how the profits are to be disposed of and with the approval of the Registrar votes the portion of the reserve fund necessary to cover losses

Board of Directors The Board of Directors is composed of (a) the Sub Divisional Officer as Chairman ex-officio, (b) 9 members elected by the representatives of the societies, (c) the Inspector of Cooperative Societies in charge of that circle, ex officio and (d) 2 persons coopted by the Board for their special interest in Co-operation and approved by the Registrar

The elected directors are appointed for 3 years and members coopted for a year. Out of the elected directors 1/3rd retire after one year and at the close of the second year one half of the remaining original directors. No director can hold office for more than two terms.

A representative of a society cannot be elected a director if he is less than 25 years in age or a near relation is in the service of the Union. He automatically ceases to be a director if he ceases to be a member of the society he represents.

The Board of Directors arranges to secure funds for the Union and fixes the terms and condition on which the funds would be obtained. The rates of interest charged on the loans are also fixed subject to a maximum of 12%. A legal adviser is appointed for the Union. One of the important duties of the Board is to prepare a quarterly forecast of the financial position of the Union and to submit it to the Registrar. It fixes the maximum credit of each member-society and makes arrangements for the purchase of agricultural requisites for sale or hire to the members according to the general instructions of the general body. It has to see that the affairs of the member-societies are conducted according to the by-laws and has the power to disaffiliate societies for unsatisfactory administration. The contributions to be made by the societies to the Secretary's pay fund are also determined by the Board.

The directors individually have the right to inspect the books of the Union. They are specially responsible for the supervision of society near their homes. They help the Union in fixing the maximum normal credit of the societies. Their services are available for arriving at a settlement between the members of the societies and money-lenders or the zamindars.

Executive Committee: The Executive Committee is appointed by the Board. It consists of (i) the Managing Director, (ii) the Inspector of Cooperative Societies and (iii) 3 members of the Board elected for a year.

The main functions of the Committee are to exercise supervision and control over the Managing Director and the staff of the Union, to regulate the finances, and to see that the affairs of the Union are conducted according to the by-laws and the Act. It exercises powers delegated by the Board.

The Board of Directors may appoint one of the directors as Managing Director or distribute work among the directors.

Managing Director The Managing Director considers applications for loans inspects some affiliated societies, receives fixed deposits and submits a monthly progress report to the Board

The Manager is the chief official of the Bank.

In all meetings the members can exercise only one vote

Loans from the Unions Loans can be given by the banking unions only to the societies affiliated to them With the sanction of the Registrar loans can also be advanced to non affiliated registered societies

Loans are always within the maximum credit fixed by the Board for the societies but in no case will the loans exceed 8 times the called up value of the shares held by the society

Loans are invariably given for specific purposes Two systems are adopted Either a cash credit is allowed or loans have to be repaid in a fixed number of instalments Cash credits are allowed only to specially selected societies with the approval of the Registrar

Loans advanced for agricultural purposes are repayable either from the *rabi* or *kharif* crop Extension can be allowed for special reasons

Penal interest not exceeding 3%, may be charged with the permission of the Registrar on overdue

Profits The profits are distributed in the following manner (1) 1/4th of the profits at least is credited to a Reserve fund, (2) provision is made for bad and doubtful debts, (3) a dividend is declared not exceeding 7%, on paid up share capital, (4) 10% can be used for charitable purposes (5) a building or dividend equalising fund can be created and (6) the Reserve fund may be strengthened or the remainder carried to the next year's profits

The Reserve fund is indivisible In case of dissolution the funds of the Union including the Reserve fund, are first applied to discharging the liabilities Then the paid up share capital is returned If funds permit, a dividend of not more than 7% is distributed for any period a dividend was not declared

If anything remains it can be used for some object of public utility decided by the Board and approved by the Registrar In case of no decision being taken by the Board within 3 months the funds can be used for helping cooperative societies in the neighbourhood or for the development of Cooperation in the district

Progress : The number of Central Banking Unions has always been small in the Province. In the year 1913-14 there were 14 Banking Unions, in 1921-29 and in 1944 also only 9. Not more than a few hundred societies are affiliated to the banking unions.

The banking unions did not become popular as even they could not attract sufficient capital locally. The investors preferred to invest in district and central banks and the banking unions still had to depend on them for funds. Being an intermediary between the primary societies and district banks, an additional margin had to be provided and a better rate could not be secured from the banks by the banking unions.

The administration of the banking unions also could not be an efficient one. Suitable men were not available for administration as the Committee of management was drawn from the membership of the societies.

District and Central Banks : District and Central Banks have the same constitution, the only difference lies in their area of operation. The district banks are situated at the district headquarters and cover the whole district while the central banks have their headquarters in the interior of the district and work in a smaller area.

Constitution : The constitution of the district and the central banks is of the mixed type. Both societies and individuals are shareholders of the banks. From the point of view of cooperation a federal type of bank, wherein only societies are share-holders, is the most desirable. Unless, however, influential people join the bank as share-holders it does not possess the necessary prestige to attract good deposits.

Presence of individuals in the banks is necessary from another point of view. To strengthen the administration it will be necessary to have on the Board of Directors educated people who have some banking experience. The members of the societies do not have this and it can be provided only by including individuals as share-holders.

Objects : The objects of co-operative district and central banks are to finance, audit, supervise, and develop cooperative societies registered under the Act within their area of operation.

Membership : Membership of the banks is open to registered cooperative societies in the area and individuals residing

or owning immovable property or carrying on any permanent trade or business in the area of operation

Funds The funds of the banks are derived from the following sources (a) shares (b) deposits (c) loans (d) Reserve fund and (e) other funds and profits

Share capital Shares are of two kinds (i) Ordinary and (ii) Preference

Ordinary shares are of the value of Rs 100 each. Only Rs 20 is called up Rs 2/8 on allotment and Rs 22/8 in 9 half yearly instalments. The rest will remain a reserve liability to be called in if the bank is liquidated or on a resolution of the general meeting held for this purpose. Ordinary share holders of the bank are registered cooperative societies.

Preference shares are limited in number and are of the same value as ordinary shares. Rs 20 is payable on allotment and the rest may be called in amounts not exceeding Rs 20 with 3 months' notice.

The number of preference shares can not be increased except on the resolution of the General Meeting and with the sanction of the Registrar.

No premium is chargeable on the shares and the shares cannot be sold to a minor, a person of unsound mind or an undischarged insolvent.

If any holder of a share fails to pay a call he is liable to pay a 9% interest on the overdues and if it is not paid for 3 months the directors may declare the shares forfeited.

The MacLagan Committee was of the opinion that the number of shares held by the societies should bear some proportion to the borrowings from the banks.

The Committee also held that no reserve liability should be allowed to individual share holders and the shares should be fully paid up. This view seems to be a sound one. If reserve liability is permitted serious difficulties are inevitable if an emergency arises and the liability has to be enforced. The members are scattered over a large area and it may be difficult to collect the calls. Joint family system may again prove to be an obstruction. The best course therefore for the banks to follow is to permit no reserve liability so far as the individual share holders are concerned.

As regards reserve liability in cooperative societies the same objections do not apply and even the Committee was not against it.

Preference shares enjoy preference in the matter of repayment of share capital and dividends.

Deposits : Deposits in the central and district banks come from professional men, small zamindars and other sections of middle classes. These banks tap new sources and are not in competition with the joint stock banks.

Current deposits are discouraged by the banks. But where banking facilities do not exist and there is a real demand for this class of work current deposits are also accepted as it has been found that such deposits lead to fixed deposits.

Regarding saving deposits the MacLagan Committee recommended that because post office savings banks facilities are available saving deposits should not be freely accepted by the banks. To encourage thrift, however, their acceptance is not ruled out altogether.

Since the current and saving deposits cannot serve as working capital, for the purposes of the banks, they are not very useful unless they are covered by a high percentage of fluid resources.

Fixed deposits are the most suitable for the central and district banks. If a major portion of the deposits comes from fixed deposits a very small percentage of fluid resources need be maintained. The funds also can more safely be used as working capital.

In most of the provinces of India a part of the Reserve Fund of the cooperative societies is invested in the central and district banks as deposits. This is the case in the U. P. also. The practice, however, is not desirable. Reserve fund should remain with the society so that it may be utilised as working capital when the necessity arises

The societies also pass on deposits in excess of their limits to the district and central banks.

Deposits should be so accepted that the re-payments are spread over the whole year and at any particular time the amount of deposits to be repaid should not be more than the amount expected to be collected from the re-payment of loan instalments.

In the U. P. the deposits are generally accepted for one year.

Loans Loans are obtained by the banks from other societies and joint stock banks. The share capital and deposits are generally enough to meet the requirements of the societies but in tight periods temporary accommodation is needed and is easily forthcoming.

In the absence of a Provincial Bank, till lately, a part of capital was obtained through interlending between the banks. This system was both uneconomical and undesirable.

Only short term lending was possible as the banks needed the capital themselves and could not afford to lock up their capital for any length of time. Interlending gives rise to another very serious difficulty. It leads to interlocking of liabilities and difficulties in one or two unsound banks may lead to a collapse of the entire central banks system. Although interlending between the banks has always been subject to the sanction of the Registrar, effective check has not been possible. Nevertheless, in the absence of a Provincial Bank interlending was the only method available to the banks of utilising their surplus funds for the general good of the cooperative movement.

Loans and deposits should not, however, exceed the maximum liability fixed by the general meeting every year.

Reserve Fund At least 25% of the net profits are credited to the reserve fund every year. The accumulations increase with the passage of time and the fund can be used as working capital.

Other Funds Other funds and profits which are not distributed can also be utilised if necessity arises.

Liability The liability of both the types of members for the debts of the bank is limited to the nominal value of their shares.

Administration **General meeting** The general meeting is the highest authority in the bank. In the general meeting member societies are represented by their delegates. All individual share holders are members of the general meeting.

All members, whether preference or ordinary share-holders, have only one vote.

The powers of the general meeting are the same as in credit societies.

The Board of Directors is elected by the general meeting.

Board of Directors : The chairman of the Board of Directors is either the District or the Sub-Divisional Officer ex-officio or one of the share-holders elected by the Annual General Meeting for a year.

The Board consists of 12 members elected by the general meeting. The directors hold office for 3 years. At the close of the 1st year $\frac{1}{3}$ rd and at the close of the 2nd year $\frac{2}{3}$ of the remaining elected directors retire. A director cannot hold office for more than 2 consecutive terms.

No preference share-holder can be elected a director (a) if he is less than 25 years of age, (b) if he holds a paid office in the bank, (c) if a near relation is employed by the bank, (d) if he holds shares less than Rs. 250/- in value, (e) if he has been a member for less than 12 months, (f) if he is an undischarged insolvent, (g) if he has been convicted of an offence involving moral turpitude or suffered imprisonment for more than 6 months, (h) if he is of unsound mind or (i) if he is known to have done anything maliciously against the interests of the bank.

No director who is a preference share-holder can contract a loan from the bank, lend money to the bank on more favourable terms or hold any lease or contract from the bank.

The provisions a, c, f, g, h, i, apply to other directors also.

A director ceases to be one for failure to attend 3 meetings consecutively.

The Board can co-opt two directors either government servants or others interested in the movement with the permission of the Registrar.

The duties of the Board of Directors are the same as the duties of the Board in the Central banking Unions. In addition, it is required to keep an eye on the supervisors employed by the Co-operative Union and to report shortcomings and defects in their work and conduct to the Union.

Individually the directors have the same responsibilities as in banking unions.

Executive Committee : The Executive Committee of the bank is appointed by the Board and has powers identical with such committees in the central banking unions.

Managing Directors : A Managing Director may also be appointed by the Board.

Loans from the Banks Loans are advanced by the Banks only to ordinary shareholders but with the permission of the Registrar loans may be given to other registered societies also. In no case however preference shareholders will be entitled to loans from the bank. Cash credits or a lump sum may be given. Loans for agricultural operations are payable out of the produce. All loans are given for specified objects.

The rate of interest charged is 12% and the penal interest on overdues is 3% additional.

Profits After crediting 25% at least to the Reserve Fund and making provision for bad or doubtful debts the first charge on the remaining profits is dividends on the preference shares not exceeding 7%. Only when the dividends on preference shares have been paid can dividends on ordinary shares be declared. The distribution of the remaining profits is similar to that in the central banking unions.

A limitation of the rate of dividend is necessary to check the growth of commercialism in the banks.

Progress The progress of the central banks including the banking unions and the district banks can be seen from the following table.

Year	Number of Banking Unions	Number of Central and District Banks	Number of Member Societies	Number of Individual share-holders	Working Capital in lakhs
1915-16	8	50	999	5613	64.40
1919-20	8	57	3450	3894	60.69
1923-24	9	64	5452	5714	81.00
1927-28	8	67	5862	5692	85.41
1931-32	9	62	5180	5611	91.10
1932-33	9	62	n.a.	n.a.	91.60
1933-34	9	62	do	do	87.20
1934-35	9	62	do	do	86.33
1935-36	9	64	6282	5903	83.79
1936-37	10	62	6820	5960	92.24
1937-38	10	6	7520	5886	94.87
1938-39	10	60	8167	5864	102.19
1939-40	10	60	8672	5869	108.58
1940-41	10	60	9243	5904	108.55
1941-42	9	60	9907	6118	115.21
1942-43	9	58	10065	5929	125.07
1943-44	9	57	10744	5787	130.93
1944-45	12	52			136.97
				16827X	

n.a. = not available

X Separate figures are not available

The table shows a steady increase in the number of central financing agencies, their membership and working capital with temporary setbacks occasionally. In the setbacks the economic conditions prevailing in the province are reflected. The great economic depression which overtook all the countries of the world affected the banks and the banking unions in the Province as well. Agricultural prices fell very steeply and the credit movement could not remain unaffected under those conditions. This factor explains the decline in the membership and the working capital of the unions and the banks between 1929 and 1933.

The growth of these institutions, however, is a testimony to the fact that they satisfy a real need of the cooperative movement in the Province more or less satisfactorily.

Owned Capital, Loans and Deposits from Individuals and Government: One of the tests of the soundness of any financial institution is the size of its owned capital and its ability to attract capital from members and non-members by way of loans and deposits. How far these institutions have been able to build up their owned capital and attract capital can be seen at a glance from the following table:

Year	Share capital lakhs	Deposits and loans	%age of owned capital to deposits and loans (lakhs)	Owned capital lakhs	Percentage of working capital
1915-16	8.94	44.01	31.2	13.75	21.5
1919-20	12.37	36.46	50.9	18.55	31.2
1923-24	19.04	46.39	57.0	25.44	32.6
1927-28	23.25	44.49	71.2	31.68	37.1
1930-31	22.99	49.61	65.8	32.64	35.3
1931-32	23.13	47.35	69.6	32.98	36.2
1932-33	23.50	45.03	74.9	33.76	36.8
1933-34	23.59	39.97	86.0	34.35	39.4
1934-35	22.92	37.53	90.7	34.05	39.4
1935-36	22.42	40.26	83.9	33.77	38.0
1936-37	22.44	42.44	80.4	34.14	37.0
1937-38	22.50	43.29	73.6	34.45	36.3
1938-39	22.65	49.78	69.6	34.64	33.9
1939-40	23.21	54.00	65.7	35.51	32.7
1940-41	23.96	51.29	71.5	36.67	33.8
1941-42	24.81	55.15	78.9	43.55	37.8
1942-43	25.70	56.25	81.00	45.57	36.4
1943-44	26.41	n.a.	n.a.	47.16	36.0
1944-45	n.a.	do	do	49.08	36.0

n.a. = not available

The percentage of owned capital (share capital and the Reserve fund) to loans and deposits held by the banks and the central banking unions has been increasing. In 1941 the percentage stood at 71.5 and in 1944, 81.00. Outside loans and deposits are, therefore, quite secure and the institutions can borrow funds easily.

The mahajans, however, have been reluctant to invest their funds in the cooperative societies as they could invest on more profitable terms elsewhere. The societies were considered by them a competitor to their business and they kept aloof from the societies for this reason also. Many debt legislations have been passed in the last decade restricting and controlling rural credit and they have begun to feel shy of their customers in the rural areas. Efforts should be made now to bring them into the Movement as it will be beneficial in more than one way.

Association of the moneylenders with the Movement will place at the disposal of the Cooperative Movement a large amount of capital which the banks need badly. Secondly, they will provide the business ability also. The moneylenders have been doing money lending business for generations and are adepts in banking. Their services will be very useful in running the banks on sound lines.

Thirdly, as these people have been dealing with agriculturists for a very long time they understand the needs of rural people and are in close touch with the rural problems. They can handle the business sympathetically.

Help to the societies. That the central and district banks and banking unions have been beneficial to the movement is evident from the figures of loans advanced to the societies.

These figures are given in the following table

Year	Loans to societies lakhs	Loans recovered lakhs	Out standings lakhs	Overdues lakhs
1915-16	29.87	28.31	46.25	12.30 X
1919-20	26.98	26.31	27.17	8.29
1927-28	39.89	41.34	44.69	9.53
1927-28	36.90	34.85	60.03	15.98
1931-32	14.61	19.33	48.50	30.41 X
1932-33	16.17	20.65	44.88	27.38
1933-34	15.09	19.40	41.02	23.70
1934-35	18.62	19.80	40.28	21.30
1935-36	27.8	25.37	43.42	18.15
1936-37	37.74	37.57	43.88	16.61

X Separate figures for working and liquidated societies are not available.
These figures relate to working and liquidated societies both.

Year	Loans to societies lakhs	Loans recovered	Out standings lakhs	Over-dues lakhs
1937-38	39.25	33.93	48.88	16.72
1938-39	41.35	35.14	54.6	16.38
1939-40	44.60	42.94	56.04	15.86
1940-41	44.50	...	...	15.20
1941-42	48.42	43.29	45.56	15.44
1942-43	51.86	...	50.73	11.43
1943-44	53.70	56.65	47.73	8.85
1944-45	64.70	54.83	65.57	10.69

Loans were freely received by the societies from the banks. During the first Great War and the depression years lendings had to be curtailed due to a considerable increase in overdues but as soon as the depression lifted the normal activities were resumed and to-day central banks and banking unions are the chief sources of borrowed capital for the cooperative societies. While loans to the societies have been increasing a progressive reduction in the overdues has been brought about since 1932. The rate of interest charged by the banks on lendings remained for a very long time 12% but in recent years the central banks have been able to reduce the rates. The average for the last three years has been only 9%. The central banks have thus succeeded in making cheaper credit available to the affiliated societies.

Interlendings: Since, however, no Provincial Bank existed in the Province till lately interlending between the central banks themselves has been a very unfortunate feature in the central banks.

How far interlending has been practised can be seen from the following table:

Year	Lakhs of Rupees			
	Borrowings taken by Central Banks from other	Lendings recovered from Central	Borrowings repaid to Central Banks	Total of Columns
	Central Banks I	Banks II	III	II & III
1915-16	3.69	3.61	3.49	7.10
1919-20	3.38	4.02	3.41	7.43
1923-24	1.60	2.24	1.36	3.60
1927-28	2.04	2.83	2.00	4.83
1930-31	3.75	3.68	3.28	6.96
1931-32	4.38	3.10	4.32	7.42
1932-33	5.25	3.18	4.69	7.83

× Later figures are not available.

COOPERATIVE MOVEMENT IN U P

Year	Borrowings taken by Central Banks from other Central Banks	Lend ings recovered from Central Banks	Borrowings repaid to Central Banks	Total of Columns
		3 41	5 59	9-00
1933 34	3 83	4 73	5 17	9 90
1934 35	5 27	5 97	6 12	12 09
1935 36	5 24	8 33	6 95	15 28
1936 37	6 63	9 22	6 08	15 30
1937 38	6 51	4 21	8 78	12 93
1938 39	9 38	13 72	17 05	30 77
1939 40	16 89	12 37	10 47	22 84
1940-41	10 86			

Part II ×
in Lakhs

Year	Lendings made to Central Banks IV	Total of Columns I & IV	Cash Balances V
	4 33	8 02	9 70
1915 16	5 66	9 04	7 06
1919 20	1 90	3 50	15 18
1923 24	2 77	4 81	7 90
1927 28	3 39	7 14	9 57
1930 31	3 04	7 42	12-06
1931 32	3 86	9 11	14 54
1932 33	2 36	6 19	12 93
1933 34	5 06	10 33	11 81
1934 35	6 14	11 38	11 27
1935 36	9 74	16 37	13 79
1936 37	8 29	14 80	13 19
1937 38	0 69	19-07	9-05
1938-39	15 86	32 75	14 44
1939 40	6 54	17 40	20 30
1940-41			

Totals of columns I and IV show the amounts involved in interlending among the banks. Quite a considerable amount has been interlent during the last decade. So long as the movement was stagnant the system of interlending with the approval of the Registrar worked smoothly but in recent years, specially after 1937, with the expansion of the movement and introduction of marketing activities short-term loans of considerable amounts became necessary and the system of interlending was found to be incapable of meeting the situation. It was this difficulty which hastened the establishment of the Provincial Bank to balance the surpluses and deficits of the central and district banks.

Totals of the figures under columns II and III, for each year, give the amounts repaid by the central banks. A comparison

× Later figures are not available.

between these figures and the totals of figures under columns I and IV for various years shows that on the whole the situation regarding interlending has been satisfactory.

None the less, large cash balances remained in the hand of the central banking institutions of the Province and cooperative finance available in the Province was not fully utilised.

Financial position: That financially central banking institutions have been a success is clear from the rate of interest the banks have to pay on the amounts borrowed or accepted as deposits and the profits made by them.

As regards the rate of interest paid on borrowings by the banks the average rate upto 1920-21 was $6\frac{1}{2}\%$. The rate increased to $7\frac{1}{2}\%$ in 1921-22 and it was not till 1925-26 that it came down to 7% . Since 1929-30 it has come down to 6% . In 1940-41 the rate increased because of a panic due to war conditions but soon the conditions settled down. During the last three years the rate on the borrowings has been only 4% . Not all the banks had to pay the same rate. Banks which were financially strong were able to get loans at a rate below the average, but others not so fortunate had to pay more than the average.

The central financial agencies, however, enjoy the confidence of the depositors. They have been able to attract good deposits on a moderate rate of interest. The rate at which deposits were available for a year or two was not more than 3% in 1936-37 and $3\frac{1}{2}\%$ in 1938. Since then the rate has decreased as other deposits fail to secure even this interest. What actually has to be paid by the banks individually depends on their financial stability. There are many banks which have been able to raise money by deposits at a rate of interest which has been as low as 2 to $1\frac{1}{2}\%$.

Most of the banks have been able to declare dividends on the paid-up value of the share capital. Upto 1924-25 the average rate of dividends varied between 6 and $6\frac{1}{2}\%$. In 1925-26 the rate rose to 7% and continued at that level till 1929-30. The effects of the general economic depression then became apparent and the profits of these banks were also affected. The rate of dividends, therefore, naturally declined. The rate in recent years has been on an average 5% .

Not all the banks have been, however, financially equally sound. Some banks although not actually running at a loss have not found it possible to declare a dividend. The number of such

banks naturally increased during the period of depression. While in 1927-28 the number was only 16, by 1931-32 it had risen to 37. As the economic recovery set in, this number has progressively decreased. Individual shareholders of the central banks judge the success of the banks by the dividends they get. In order to maintain the confidence of the individual investors it is necessary to declare a dividend so far as possible. From this point of view the period of depression was a very trying period for the central banks of the Province. The fact that the cooperative central banks emerged out of this period without many liquidations is an ample proof of their financial stability.

Profits The net profits of the banks in the U P can be seen at a glance from the following table

IN LAKHS	
Years	Profits
1915-16	78
1919-20	2.26
1923-24	3.31
1927-28	2.16
1931-32	2.07
1932-33	1.79
1933-34	1.53
1934-35	1.29
1935-36	1.21
1936-37	1.55
1937-38	1.92
1938-39	1.21
1939-40	1.36
1940-41	1.80
1941-42	1.82
1942-43	2.39
1943-44	1.29

The economic conditions in the Province are reflected in the profits of the central banks also. The figures since 1935-36 are however misleading. In that year a reduction in the rate of interest charged by the banks on their lendings was made and but for this reduction the banks would have shown a larger amount of profits.

The number of banks which showed a loss has always been very small. The maximum number in any year from 1916 to 1944 was only 14 and that too in the year 1939-40 when the banks had to raise the rate of interest on their borrowings while they had to reduce the rate on their lendings specially to Market ing Unions.

On the whole, therefore, it can be said that so far as financing of the Cooperative Movement goes the central banking institutions of the Province can be said to be working satisfactorily. It is, none-the-less, true that if a Provincial Bank existed with the amount of capital central banks have handled, the Movement could have been financed to a much greater extent.

The larger central banks have been found to be financially more strong than the smaller ones. While the former can raise all the capital they need the latter find it difficult to raise deposits on reasonable rates and have to depend on other central banks for necessary finances.

To deal with the problem of overdues in 1930-31 some of the central banks introduced the system of repayments in kind. Members were induced to repay in kind by giving them a slightly higher price for the grain.—(Moradabad, Bijnor and Kanth). So far as the percentage of collection was concerned the system proved a success, but the disposal of grain has proved a stumbling block. Since 1938 the marketing of agricultural produce has been left to marketing unions which are financed by the central banks and the repayment in kind has been given up.

Supervision of the movement : Till 1928 supervision and finance were both vested in the central banks. The banks functioned more or less as benevolent mahajans and neglected supervision and education. In order to expand their financial operation the banks adopted a policy of reckless expansion of the credit movement. The Oakden Committee took a serious view of this state of affairs and recommended the transfer of supervision, education and development of cooperative societies to a separate Provincial Union. In 1928 therefore the U. P. Cooperative Union was brought into existence to which these functions have been entrusted by the central banks joining the union. The number of central banks under the provincialisation scheme in 1940-41 was 60. Gradually other banks have been coming within its folds.

Education and training of the committees of management is much better under provincialised banks. The Union employs supervisors to supervise the societies affiliated to the central banks. These supervisors are responsible for the education and development of cooperative societies under their charge. The percentage of collection under provincialised banks was 84.0 in 1944-45 while in non-provincialised banks it was only 78.

The supervisors still work under the central banks but they are controlled by the Union. The committee of management of the bank can report to the Union on their work.

The cost of the supervisors has to be partly contributed by the banks. An ordinary member of the Union as a rule contributes 55% of the cost of the supervisors posted to look after the societies affiliated to the bank concerned, the cost of a supervisor being calculated on a provincial basis. The rest of it comes from the Government grant made to the Union. For the development of special types of cooperative activity special grants are placed at the disposal of the Union by the Government.

The contributions of the banks and some independent societies to the union have been as follows

Year	In Rupees	Contribution
		94,000
1935-36		118,176
1936-37		100,752
1937-38		100,355
1938-39		103,731
1939-40		111,156
1940-41		136,960
1941-42		157,677
1942-43		192,640
1943-44		

In the beginning when the Union decided to recover 55% of the cost of supervision from the banks the Government grant was not raised simultaneously. For some time the Union had to face financial difficulties, but during the last 3 or 4 years the cost of supervision has been covered by the contributions of the banks and increased Government grant.

The working cost of the central banks in 1944-45 was 2.72% of the working capital and was, thus, sufficiently high. The reason for the high cost is not the extravagance of the bank but limited business. The commercial side of banking, e.g., collection of bills, their discounting or rediscounting and advances against pledge of produce have been fought shy of by the banks. This business, if carefully handled, can increase the income of the banks and bring about a reduction in the cost.

That the possibilities of this type of business are immense can be seen from the fact that in 1937 cooperative banks in Bombay handled 560 lakhs worth of cheques and hundies. Gradually where conditions are suitable the business should be

added to the traditional business of the central banks. Some banks, notably the Azamgarh Bank, have started this side of commercial banking and with advantages some other banks can follow suit.

Being divested of the responsibilities of supervision and having to concentrate on the financing of the Movement, the central banks have a bright future now that the U. P. has the Provincial Bank to balance the finances of these banks. A cautious policy both on the part of the Provincial and the Central banks will be necessary in order to check a tendency towards reckless financing when plentiful funds become available to the central banks.

The following table gives an idea of the position of the central banks in the U. P. as compared to some of the other provinces of India.

Province	Number of Banks and Banking Unions	Individual members	Societies	Working capital in crores
Bengal	121	—	5,388	5.54
Bombay	12+49	9,179	1,799	2.73
	Branches			
Madras	30	4,160	10,881	5.95
The Punjab	117	3,834	20,515	5.45
The U. P.	70	5,904	9,243	1.08 ₁

The constitution of the central banks in the other provinces is of the mixed type as in the U. P.

So far as the working capital of the central banks goes it is evident that the U. P. stands lowest among the major provinces of India and has much lee-way to cover.

The Bombay banks undertake all types of banking business including inland exchange business. It is because of this that the percentage of working-cost to the working capital is a very low figure there.

1. Figures relate to 1939-40 and have been taken from the Year Book and Directory of Indian Cooperation, 1942.

PROVINCIAL COOPERATIVE BANK

History of the Question The Mac Lagan Committee in their report expressed their opinion against the system of interlending among central banks and pointed out that the system was both inefficient and uneconomical. They recommended the establishment of an Apex Bank in each major province of the country to coordinate the working of central banks, forecast and arrange for the provincial requirements as a whole and be the financial cooperative centre of the Province. An Apex Bank of this nature, they said, should have as its express object the direction of provincial finance by the control and support of central banks. Central banks should be prohibited from dealing with each other or with Presidency or joint stock banks except through its medium.

The question was considered in the U P by a committee appointed in 1917 which recommended the establishment of a bank, and submitted a scheme. The scheme was approved by the Provincial Cooperative Conference but no action was taken.

The Oakden Committee of 1926 also recommended 'a start on moderate lines'. But no serious attention was paid to the question till the establishment of the Reserve Bank of India in 1934 with a special Rural Credit Department to help the Cooperative Movement.

Tight conditions in the money market brought the question of a Provincial Bank in the Province again to the fore front and it was decided in 1938-39 to start it. Provision was made in the budget but since a scheme of Agricultural Credit and Marketing Corporation was also under consideration the idea was deferred. For some time due to war the question was dropped. The Government of the Province discussed the matter with the Reserve Bank and on their advice, finally, steps were taken to start the Bank. The Bank came into existence on the 10th December, 1944.

Constitution and Working The area of operation of the Bank extends to the whole of the U P.

Objects: The objects of the Bank are: (i) To advance loans with or without security to member societies or other non-member societies. Loans to non-member societies can be advanced only with the permission of the Registrar. No loans can be made without reference to financing agencies to which the applicant society may be indebted.

(ii) To lend money, grant overdrafts and open cash credits for individual members against (a) deposit receipts, (b) Government securities, (c) gold and silver, (d) ornaments, (e) agricultural and industrial produce, (f) railway receipts and (g) insurance policies. Such advances are to be within limits prescribed by the Registrar from time to time.

(iii) To collect bills, drafts, cheques and other negotiable instruments on behalf of the members and non-members.

(iv) To purchase and sell agricultural requisites required by the societies or their members.

(v) To act as commission agents for individual and society members.

(vi) To buy and sell securities for investment of its surplus and to act as an agent for buyers and sellers of securities of the Government of India and the Provincial Government. (vii) To take up inland Exchange business with the sanction of the Registrar by drawing, accepting, endorsing, negotiating selling or otherwise dealing in bills of exchange, hundies and other negotiable instruments with or without security.

(viii) To raise money by shares, deposits and loans.

(ix) To receive for safe custody securities, ornaments and other valuables.

(x) To serve as a balancing centre and a clearing house for the societies.

(xi) To open branches with the sanction of the Registrar.

(xii) To carry on the business of a cooperative society whose managing committee has been suspended.

(xiii) To start and maintain funds for the benefits of employees and ex-employees.

(xiv) To act as banking agents of the U. P. Government, public bodies approved by the Registrar, the Reserve Bank of India, or any other bank or banker of the Provinces.

(xv) To advise central banks and societies on banking and to inspect the banks and societies

(xvi) To facilitate the operation of societies

and (xvii) To promote the economic interests of the members generally in accordance with cooperative principles

Membership The constitution of the Provincial Bank is of the mixed type. Membership is open to individuals above the age of 18 owning property or carrying on permanent trade, business or industry or residing in the Province, and to all registered societies.

An individual or a society becomes a member as soon as allotment of share has been made.

All members have to sign a declaration agreeing to abide by the existing and future by laws. Not till such a declaration has been signed can the member exercise the rights of membership.

Capital The working capital of the Bank consists of (a) Individual shares, (b) society shares, (c) loans, (d) deposits, (e) Reserve, other funds and profits and (f) grants and donations.

Shares Shares in the Provincial Bank are of two types (a) individual shares held by individuals and (b) society shares held by registered cooperative societies.

According to the by laws the number of individual shares is not to exceed 5 000. The number of society shares depends on the approval of the Registrar.

The Bank has issued 4 000 individual shares and 8,000 society shares.

The value of each individual or society share is Rs. 100/.

Individual members have to purchase at least 5 shares but at no time the value of shares held by an individual will be allowed to exceed Rs. 10,000.

Society members have to purchase at least one share and as many more as the Bank requires it to purchase with the approval of the Registrar.

The share money in respect of society shares is payable in the following manner: Rs. 25 with the application, Rs. 25 within a month of allotment and the rest in 2 equal yearly instalments payable before 30th June.

Rs. 25/- per share in respect of individual shares is payable with application, Rs. 25/- within one month of allotment and the rest in 2 equal monthly instalments after a lapse of one month from the last date fixed for the payment of the allotment.

For default to pay the instalments, interest, not exceeding 9%, can be charged on the arrears.

Forfeiture: If a member fails to pay the instalment the Bank issues a notice for the payment of money due with interest by a specified date, and if still the payment is not made the shares are liable to forfeiture. Within three months the shares can, however, be renewed on payment of the arrears and Re. 1/- renewal fee.

The forfeited shares can be sold or re-allotted by the Bank. The Board of Directors can however remit the forfeiture by a resolution if the share has not already been reallotted or re-sold.

Transfer: The individual shares are not withdrawable and are transferable only with the sanction of the Board.

The society shares can be transferred only (i) when a society is split up into two (ii) or when in the opinion of the Registrar the society has more shares than it needs. The Registrar in this case may permit transfer to another member society.

Shares held by the societies are not withdrawable.

Alteration of share capital: The Bank can increase the capital by amending the by-laws.

It can also reduce the share capital by a resolution passed by the General Meeting convened for this purpose specially by (a) extinguishing or reducing the liability in respect of share capital not paid up, (b) cancelling any paid up share capital which is lost or unrepresented by available assets and (c) paying back share capital in excess of the needs of the Bank.

The share capital held by the societies will not, however, be reduced till the share capital held by individuals has been extinguished completely.

If the Bank at any time desires to reduce the share capital the Registrar may direct issue of notices to all creditors. The creditors may file objections. If some of the creditors do not consent to reduction the Registrar may dispense with their consent by securing payment of their debts within a specified time. After these claims have been satisfied orders for reductions will

be passed by the Registrar on the resolution of the general meeting for reduction of share capital. Not till the resolution is confirmed by the Registrar will reduction take place.

Loans: The Bank can raise money by issue of debentures, bonds or pro-notes or by mortgaging any lands and buildings or other property of the Bank. The reserve fund cannot be used except with the sanction of the Registrar.

Deposits: Deposits from members and non-members can be received. The extent and the conditions of these deposits are determined by the Board.

No deposits in current and savings accounts can be accepted without the special sanction of the Registrar.

Maximum Liability: The maximum liability to be incurred by the Bank in any year is fixed by the annual general meeting but it cannot exceed 10 times the owned capital of the Bank without special sanction from the Registrar.

Loans and deposits cannot exceed this amount.

Reserve Fund: At least 25 % of the net profits is credited to a reserve fund.

Loans from the Banks: Loans are given for specific objects and are repayable in suitable instalments fixed at the time of advance with reference to the object and the repaying capacity of the borrower. In the case of cash credit no instalments are necessary.

But no loan is advanced to a society if it increases the outstanding against it to more than 10 times its paid up share capital in the Bank. In special cases the Registrar may permit advances to the extent of 15 times the paid up share capital.

If a society, however, needs temporary accommodation beyond 10 times its share capital the Bank may advance it at its discretion.

Loans can be given, overdrafts allowed or cash credits opened for individual members also, against the security of deposit receipts, Government securities, bullion, ornaments,

- agricultural receipts and insurance policies. But this type of business is subject to the limitations prescribed by the Registrar from time to time.

Loans to non-member depositors can also be given with the previous sanction of the Registrar against the security of fixed deposits held by them.

If the market value of the securities or the stocks pledged deteriorates beyond the limits fixed by the Board, partial or total repayment may be demanded by the Board. In the events of a borrower's failure to do so the Bank may sell the securities or stocks and recover its outstandings. If the realisation from securities is less, the borrower is liable to make good the deficiency. If it is more, it is paid back to the borrower.

Administration: The management of the Bank is carried on by the following bodies and officers: (1) The General Meeting, (2) The Board of Directors, (3) The Executive Committee, (4) The President and (5) The Manager.

General Meeting: The General meeting consists of (a) The Registrar who is the President ex-officio, (b) 2 directors nominated by the U.P. Government, (c) all individual share-holders and (d) one representative each of the member societies.

The annual general meeting elects the members of the Board and fixes the maximum liability of the Bank.

A special meeting can be called by the U. P. Government, the Registrar, or on requisition of at least 50 members holding among themselves not less than 500 shares, the members indebted to the Bank being excluded from the number signing the requisition. The requisition must state the object also.

Every member has only one vote. Proxies are allowed but no person who is not a member of the Bank is to be appointed a proxy. The society members may, however, appoint any member of the society as proxy. Proxy is allowed in the case of a *pardah-nashin* lady, a minor or a lunatic. In their case an authorised agent, legal guardian or curator, as the case may be, is entitled to vote.

Board of Directors: The Board of Directors consists of (1) The Registrar as President, (2) 3 directors elected by individual share holders, (3) 6 directors elected by the representatives of the societies and (4) 2 Directors nominated by the Government.

A representative of a society holding less than 10 shares is not entitled to election as a director

Elected directors hold office for 1 year but are eligible for re election No director is allowed to hold office for more than 4 terms consecutively

Nominated Directors' term of office is 1 year only but they are eligible for re nomination

Elected and nominated directors are paid T A and fees fixed from time to time by the General Meeting

Powers of the Board The Board enjoys all powers necessary to achieve the objects of the Bank It elects a Vice President and an Executive Committee All paid staff of the Bank, including the Manager is under the control of the Board of Directors It raises funds according to the by laws grants loans to societies and individuals, purchases and sells agricultural requisites, sells agricultural produce on commission basis and advances loans on agricultural produce brought to the Bank for sale The Board purchases and supplies raw materials on commission required by the members of artisans' societies and sells their finished products It has the power to open branches of the Bank wherever necessary

Executive Committee The Board elects an Executive Committee of 3 Directors The Executive Committee exercises powers delegated to it by the Board

The Manager is the chief executive officer of the Bank

Profits From the gross profits interest allowed, cost of management, provisions made for bad debts, depreciation of stocks and buildings and other items of loss must be deducted to arrive at the net profits

At least 25% of the net profits goes to the Reserve fund and out of the rest dividends can be declared Dividends will not be paid if any share instalment is overdue and unpaid Dividends will not bear interest All dividends not claimed within 3 years become forfeited and are credited to the Reserve fund

Rate of Interest The rate of interest charged by the Bank will be determined by the Board from time to time, but it will not

exceed 9% without the sanction of the Registrar. On overdues an additional 3% can be charged with the approval of the Registrar.

All disputes between shareholders and the Bank have to be referred to the Registrar for arbitration.

Progress : The Board of Directors has issued 4,000 individual and 8,000 society shares of Rs. 100/- each. The subscribed shares on 30-6-45 stood at 3,107 individual and 7,920 society. The paid up value of the share capital was Rs. 805,400/-.

Joint stock companies also applied for shares but since there was no provision in the by-laws no shares could be issued to them. 700 shares were sold through the Imperial Bank and a brokerage of /4/- per share was paid.

Since the individual shares have all been applied for the Bank proposes to have 'nominal members' also. These will be the borrowing members. They will be permitted to borrow, without holding shares, against approved securities but will not be permitted to have any privileges of membership.

A nominal member will be elected for 3 years and will have to pay Re. 1/- as admission fee. At every election a fresh fee of Re. 1/- will be payable.

Deposits : All types of deposits have been accepted by the Bank, current, savings and fixed, from individuals, cooperative societies and banks.

The deposits were as under :

From	Current	Savings	Fixed
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Individuals ...	35,329-5-3	35,671-4-9	31,100-0-0
Coop. societies and Banks	231,798-10-10	52,61-9-2	2768,15-15-6

The total deposits amounted to Rs. 662,979-13-4.

Loans etc.: Loans and over-drafts to the extent of Rs. 329,506-11-0 were obtained by the Bank.

The Reserve Bank of India has agreed to give a rebate of 1% on loans to the Provincial Bank for financing agricultural credit or seasonal marketing operations. The rebate has further been increased to 1½% at the request of the Registrar, Cooperative Societies. The Provincial Bank has been placed on the approved list of the Reserve Bank and maintains cash balances at the prescribed rate.

The amount in the Reserve Fund amounts to Rs 6,000

The Government gave a grant of Rs 16,000/- out of which Rs 8 500/ were recurring

Lending operations The lending operations conducted by the Bank were as follows

Loans etc to

	Rs	a	p
(i) Primary societies	188	052	13 3
(i) Central Banks and Unions	699	087	12 3
(i) Loans to Individuals against Government Securities	515	2	0
(iv) Loans against produce	114,225	4	9
Total	992,481	0	3

Other Transactions Besides lending to individuals and cooperative institutions the Bank dealt in drafts, cheques and *Hundies*. These were collected for the members by the Bank and Rs 1,483 3 1 were earned as commissions. Rs 1,218 12 0 were similarly earned on the purchase of Government securities.

The profits of the Bank totalled Rs 7,893 10-4 out of which Rs. 6 000 were credited to the Reserve fund, Rs 1,200 were distributed as bonus to the staff and Rs 693 10-4 were carried forward.

Preliminary steps have already been taken to bring down the rate of interest and it is hoped that very soon cheaper money will be available to the ultimate borrowers.

The Provincial Bank in the U P has been in existence for a very short time. Its business during the last six months shows promise of success.

Policy to follow to achieve success A cautious policy, however, will have to be followed so that the pitfalls that lie ahead may be avoided and the Bank may fulfil its objects.

The main object of an Apex Bank in the Province is to be a balancing centre of the movement. Interlending between the central banks must, therefore, stop immediately. The Registrar should see that the central banks are not permitted to interlend and that surpluses in such banks are invested in the Provincial Bank. Similarly, it will always be a primary duty of the Provincial Bank to provide the necessary finances to those central banks which stand in need of it.

Since the failure of the Provincial Bank may lead to a collapse of the entire movement in the Province, safety should be its first consideration. From this point of view loans to primary societies direct should be discouraged and the Bank should try to bring into existence central banks in those areas where such a bank does not exist, and as soon as a bank is established direct dealings should be stopped immediately.

Another temptation which has to be curbed is the attempt to raise funds from deposits on very attractive rates of interest. The intention with which a Provincial Bank is started is not to compete with other commercial banks. On the other hand, it can only fulfil its objects if the rate allowed is as low as possible. The success of the Provincial Bank depends on its ability to secure cheap finance for the ultimate borrower, i.e., the agriculturists or the urban middle classes. This cannot be done unless the Provincial Bank can lend to central banks and central banks to cooperative societies at a lower rate. Unless, therefore, the Provincial Bank gets its own finances at a low rate the advantage cannot be passed on to the ultimate borrower. The prevailing rate of interest on loans given by the society, i.e., 15% is really excessive and all attempts should be made to bring the rate down.

For a healthy growth of the Provincial Bank it will also be necessary to insist that the central banks do not borrow except from the Provincial Bank. It should be left to the Provincial Bank to secure funds for the Movement from the money markets, if necessary. The central banks should not be permitted to have direct access to the money market. The operations of the central banks will be better controlled if this practice is followed.

Wherever it is possible it would be better to allow cash credit facilities than advance the loan in a lump sum and the Provincial Bank should encourage the cash credit system.

In order to find an out-let for its funds speculative business should not be undertaken by the Bank. Loans must be advanced after a careful consideration of the object for which it is being borrowed and the paying capacity of the borrowing members. Although one of the objects of the Provincial Bank is to develop new types of cooperative organisations in the Province the chances of success must be weighed carefully before the Provincial Bank undertakes to finance them.

The same principle of safety must also apply to other transactions of the Bank, i.e., dealings with individual members, non-members etc.

The Provincial Bank should try to secure deposits of funds of public bodies. In this matter the Government can help the Bank a good deal. There are public bodies like Municipalities, District Boards, Universities and Courts of wards which have large finances. If the funds of these bodies are deposited in the Provincial Bank a large amount will be available for cooperative needs. The Government can permit such bodies to bank with the Provincial Bank and this concession should be granted to such bodies.

As soon as it is possible the Provincial Bank should try to develop land mortgage banking in the Province. Without long term credit land improvements cannot be affected and the economic position of the agriculturists cannot improve.

A separate department for land mortgage banking should be started in the Provincial Bank which should maintain its own account. To obtain long term finances the department should issue debentures which should have a Government guarantee. The ordinary funds of the Provincial Bank should not be utilised for land mortgage banking as the Bank cannot afford to lock up its capital for long terms.

CHAPTER XXV

THE U. P. DEVELOPMENT AND MARKETING FEDERATION

Marketing societies and unions, viz., milk unions and societies, Ghee unions and societies, cane supply unions and societies and some others have been working in the U. P. since the thirties. Marketing of agricultural produce was also undertaken by some cooperative institutions. But these were in the nature of hap-hazard experiments.

In 1938-39 a comprehensive scheme of marketing of agricultural produce was approved by the Government and put into operation. Under this scheme a number of marketing unions were set up in the important *mandies* in the U. P. to which all the societies within a certain distance were affiliated.

The marketing societies and the unions depended for funds and guidance on the central and district banks of their area. The central banks, however, could neither look after the business side nor the finances satisfactorily. Marketing operations required large amounts of funds which the banks were not in a position to spare. At many places marketing unions could not come into existence for want of funds although they were badly needed.

Marketing being a specialised operation the central banks were found to be totally unsuited to undertake this activity successfully.

Due to these difficulties marketing of agricultural produce could not make any headway in the Province and the necessity of a provincial organization to finance and organise marketing of agricultural produce in the U. P. was soon felt.

In spite of this, however, nothing was done to bring it into existence.

In 1941-42 due to war conditions there was a great scarcity of food materials and essential commodities. Profiteers were active and the prices of these commodities soared high. To relieve the situation and secure a better distribution of the essential commodities District Officers in certain districts entrusted the work of distribution to cooperative depots. The first district where the scheme was tried was Meerut where the cooperative depots

distributed wheat and *atta*. It proved so successful that the distribution of sugar in Meerut town was also entrusted to it in 1942. Branches were subsequently opened in Bulandshahr, Muzaffarnagar, Benares and Azamgarh. The branches were run by a Superintendent under the control of the Assistant Registrar of the circle.

The existence of a number of branches for the distribution of essential commodities without a central guiding organisation was the immediate cause of the establishment of the U P Cooperative Development and Marketing Federation in 1943. What the urgent need of cooperative marketing societies and unions could not accomplish was thus, achieved by the temporary but pressing necessity of a better distribution of essential commodities among the civil population of the Province.

Constitution and Working There are four functions of the Federation (a) Development of the existing methods of agricultural and industrial production (b) Organisation of the marketing of members' produce (c) Distribution of the essential commodities and (d) Dissemination of marketing intelligence.

The objects of the Union, therefore are (i) to purchase, store, grade, distribute and sell agricultural and industrial products (ii) to spread marketing intelligence and to advise the members regarding grading etc.

(iii) to improve the methods of marketing (iv) to improve and develop existing methods of agricultural and industrial production (v) to finance members on the pledge of produce and (vi) to act as an agent of the members for the disposal of their produce.

From the objects of the Federation it can be seen that it has undertaken two entirely different functions. Distribution is a legitimate function of the cooperative stores and to have it as a part of the business of a Producers' Organisation is not very sound. Since, however, cooperative store movement in the Province is not very strong this function has also been assigned to the Federation as a temporary expedient. It is expected that in the near future when a federation of cooperative stores is established the work will be transferred to it and the Marketing Federation will be left with its legitimate function only.

Membership Membership of the Federation is open to (a) all cooperative marketing and development unions (b) cooperative stores (c) central banking institutions and (d) other cooperative unions whose main object is cooperative marketing.

Funds: The funds of the Federation are derived from (a) shares, (b) deposits and loans, (c) contributions, (d) commissions and (e) Reserve and other funds.

Shares System : The authorised capital of the federation is Rs. 5 lakhs divided into 5,000 shares of Rs. 100/- each. The share money is payable on allotment. By 1943-44 only 136 shares were subscribed and the share capital stood at Rs. 13,600/-. Every member has to hold at least one share.

Deposits and Loans : Deposits and loans can be accepted within the maximum liability fixed by the General Meeting on terms and conditions approved by the Board of Directors.

Before the Provincial Bank was started the Federation used to obtain most of its funds from the central and district banks. No difficulty was felt and the full requirements of the Federation were easily met. Since the Provincial Bank has been started the Federation has been mostly dealing with it. Loans from banks and societies amounted to Rs. 48,104/- in 1942-43 and 517,672/- in 1944.

Contribution : The federation may, with the permission of the Registrar, levy contributions on the members for specific objects.

Commissions: The income of the federation from commissions earned amounted to Rs. 42,755/- in 1943-44.

Reserve Fund and other funds : Although only 25% of the profits need be credited to the Reserve fund the Federation has followed, quite wisely, a policy of crediting a major portion of the profits to the Reserve fund. It, being a new organisation working under artificial conditions created by rationing and Government control, must provide for uncertainties when the normal times return. Unless a strong reserve has been built up its existence may be seriously threatened.

Out of the net profits amounting to Rs. 115,228-3-4 in the year 1942-43 the Federation set apart Rs. 100,000/- for the Reserve fund and placed Rs. 10,228-3-4 in the development and Rs. 5,000/- in the charity fund.

Working Capital: The working capital of Federation in 1944-45 was Rs. 15.54 lakhs of which Rs. 2.41 lakhs was

owned The percentage of owned to working capital worked at 15.5 for the year

Liability The liability of the members is limited to the nominal value of the shares held by a member

Loans from the Federation Loans and advances are generally given on the security of agricultural produce

All sales on behalf of the members are on a cash basis, but credits, not exceeding 30 days, can be given to approved customers

Administration The administration of the Federation is in the hands of the following

(i) the General Body, (ii) the Board of Directors, (iii) the Executive Committee, (iv) the Chairman and (v) the Secretary

General Body In the general body each member is represented by a delegate elected by the board of directors of the societies for a year. The general body lays down the policy and fixes the maximum liability to be incurred during the year

Board of Directors The Board of Directors is constituted as follows

(i) the Registrar, Cooperative Societies as chairman, ex-officio, (ii) the Secretary who is a nominee of the Registrar, (iii) 7 representatives of the delegates of members societies, (iv) the Provincial Marketing Officer, ex-officio and (v) 2 other persons nominated by the Registrar

Two members can be co-opted by the Board of Directors for their interest in cooperative marketing

The Directors are not eligible for re-election if they have held office for 3 consecutive terms

Executive Committee The Executive Committee cannot have more than 7 directors, the Chairman and the Secretary inclusive. It is elected by the Board of Directors and exercises such powers as are delegated to it by the Board

In all these bodies questions are decided by a majority, each member having one vote only

The Chairman has the powers of the Board of Directors or the Executive Committee in emergencies, and is the chief controlling officer.

The Secretary is the chief executive officer of the Federation.

Profits: According to the U. P. by-laws, 25% of the net profits, at least, must go to a reserve fund. Dividend, not exceeding 10%, on fully paid up shares can be given. A part can be utilised in giving a bonus to member societies, and building and development funds etc. can be created.

Since no dividends were declared in the 1st year of its existence, as pointed out above, the major portion was credited to the reserve fund, *i.e.*, Rs. one lakh. In 1943-44 also the Federation earned a net profit of Rs. 90,181 out of which Rs. 75,000 were proposed to be set apart for strengthening the reserve fund.

The administration of the Federation is, no doubt, a strong one with the Registrar, a nominated Secretary, 2 other nominated members and the Provincial Marketing Officer. It, however, smacks of Government control. The presence of so many Government officers on the Board creates an impression that the Federation is a semi-official organisation for the benefit of the Government, and the people look upon it with suspicion. From the cooperative point of view the administration is far from satisfactory as the cooperative character of the Federation is eclipsed.

Officialisation of the institution has been necessary specially in view of the fact that it has undertaken distribution of essential commodities. If the institution had no official backing the Collectors would have looked upon it with suspicion. Since, however, a number of officials of the Cooperative Department are employed in the Federation, the presence of these officials exercises a healthy influence on their activities.

Now that the state of emergency will soon be over and the official patronage will lapse, measures should be contemplated to de-officialise the institution. If the Provincial Marketing Federation is to act as an apex institution of marketing unions and societies it should be managed by non-official representatives of the unions. The specialised staff of the Department should be in the Board or the Committee only in an advisory capacity. Only then can the U. P. Cooperative Development and Marketing Federation develop as a real cooperative institution.

Business of the federation During the first year of its existence the only business of the Federation was the distribution of essential commodities through retail depots. In 1943-44 although some other activities were taken up it still remained the most important activity of the Federation.

The following table shows the value of commodities sold by the Federation

	1942-43 Rs	1943-44 Rs
Sugar	2,171,850	2,068,212
Atta, wheat and other food stuffs	650,908	1,244,016
Salt	1,144	117,123
Kerosine oil		92,376
Standard cloth		1,182,669
Containers		65,747
Other commodities		54,509
Total	2,853,933	5,744,643

Commodities were also sold on a commission basis in 1943-44 as under

	Rs.
Standard cloth	1,104,141
Cooperative cloth	4,134
Fire-wood and charcoal	311,091
Other commodities	20,455
Total	1,439,821

In 1944-45 the value of the essential commodities distributed by the Federation was Rs 72.86 lakhs.

The Federation works on a branch system. As soon as there is sufficient business in a particular area, a branch office is opened under the control of a Superintendent, generally an Inspector of Cooperative Societies. The branches are given sufficient field and other staff. The financial and administrative control is, however, exercised by the head office of the Federation.

In 1942-43 there were 5 branches working, but their number rose to 9 in 1943-44. The number of depots increased from 54 in 1942-43 to 125 in 1943-44.

Little has been done so far as regards marketing by the Federation. The Regional Food Controller, Meerut gave to the Federation the chief purchasing agency of the food grains for the Gunjwara market and was also appointed the agent for purchasing paddy seeds in Mirzapur by the Agriculture Department.

Although commodities worth Rs. 7.31 Lakhs were handled by the Federation the business cannot be said to be real marketing of agricultural produce of the members.

Some attempt has been made at coordination of the activities of the marketing unions and cooperative stores. The Federation distributed forms to obtain periodical price and stock statements. They have devised a form of accounting for the marketing unions so that uniformity in accounting may be attained. A conference of the representatives of Ghee Unions was also called in 1943 to discuss the various problems of the Ghee Unions and resolutions were passed. Beyond this little has been done to carry out co-ordination of the various types of marketing societies.

An attempt has also been made by the Federation to assist the marketing societies and unions financially and otherwise. *Some unions were given Superintendents on full contribution basis and some on half contribution basis.*

Financial assistance has been given to a few marketing unions. At a time when funds were not available from the Central Banks the Aligarh Cotton Society was advanced money by the Federation for the purchase of cotton. The Hapur Marketing Union also received a grant of Rs. 10,000 during 1943-44.

The business operations of the Federation show that besides distribution of essential commodities the other functions have been more or less neglected by the Federation. In the distribution of the commodities, however, unlike other businessmen the Federation has kept as its motto 'Co-operation is a business run as service' and sometimes sold commodities at a loss to bring down the high prices obtaining.

Comparative neglect of the proper functions of the Federation was, perhaps, inevitable under the circumstances. Owing to its birth in war conditions, the war problems naturally engaged the attention of the Federation and the real functions of the Federation have been relegated to the background.

Now, that the war is over, is the time to think of the future of the Federation.

The future : A combination of the functions of distribution and marketing in the Federation even during the emergency was not in the best interests of Cooperation. It may very well be questioned whether it would not have been better in the interest of the development of consumers' cooperation that this sort of duplication was not encouraged at all. Instead, a chain of

Cooperative Stores could have been organised with a central organisation. They would have earned the goodwill of the people and would have continued to exist in the postwar years and consumers cooperation which showed a poor development in the prewar years would have taken root in the Province. What ever the mistakes in the past there is yet time to remedy the defects.

It is suggested that the two functions should now be separated and placed under two separate departments of the Federation, if separate Federations cannot be brought into existence. In fact, there are advantages in creating two departments rather than two separate federations for the duties of marketing and distribution. In rural areas the same society can undertake the marketing of member's produce and provide facilities of obtaining the commodities they require to the members. There is no necessity of organising two separate societies for marketing and distribution.

In order to make the Federation a cooperative organisation it is equally necessary to convert the branches of the Federation into separate cooperative marketing unions which will undertake development of marketing societies.

The success of the Federation during the war period has mainly been due to the fact that it has been receiving official patronage. It did not have to face competition from other sources as the prices of essential commodities were fully controlled. When the official patronage is withdrawn and competition begins to operate the chances for the success of the Federation will depend upon its ability to compete with the other dealers so far as distribution goes. In spite of the large reserves it would have built up by then the over head expenses would have to be brought down considerably which can not happen till the Federation is de-officialised. In any case it is expected that the distribution business of the Federation will shrink considerably in no distant future.

But there is a great scope of expansion in marketing of agricultural produce in the post war years. The Federation will therefore be well advised to switch on its activity to the proper functions of marketing.

Successful marketing depends on a number of factors. Funds for marketing operations should be adequate. Agriculturists must be placed in a position to withhold their produce for a better price by giving them the necessary advances on the security of their produce and by providing sufficient storage facilities.

Marketing intelligence should be made available to them so that members of marketing societies are posted with the fluctuations in the markets. Above all, processing of the produce is necessary to secure better prices for the agriculturists' produce.

These are the important problems which must be taken up by the Federation. So far as funds are concerned, the Federation should have no difficulty. The strong reserves supported by Government grant which are likely to be considerable and the help available from the Provincial Banks will be sufficient for the marketing operations. The Federation should also be willing to discount deposits certificates issued by the members-societies to the agriculturists in respect of the produce deposited with the societies for sale.

Provision of storage facilities all over the Province is bound to prove a difficult question. The Government should be approached by the Federation for help in this direction. Steps should also be taken to induce the municipal and district boards to help the Federation financially.

The Federation must, also, take up the question of grading and processing. Quality is valued by the customers and the certainty that the purchase will be true to the sample brings better prices for the commodities. If the produce is graded before being marketed this advantage can be obtained. It will, however, be beyond the means of unions and societies to arrange for grading and the Federation will have to provide facilities to start with. After the value of grading has been realised by the producers the cost of grading can easily be recovered from them. The same is true of preliminary processing also.

Organisation of marketing intelligence is another function which needs the attention of the Federation. The Federation should collect information from all possible sources and pass it on to the unions, the societies and ultimately the producers.

If the above measures are taken by the Federation there is no reason why, even though it owes its birth to war conditions, it should disappear with the cessation of hostilities. During its existence in the war period it has trained a large number of persons in business methods and marketing transactions, and with trained material it is capable of developing and running marketing on sound lines. And specially in view of the fact that in the post war years the Government is bound to make strenuous efforts to develop marketing of agricultural produce as a part of their programme to check deflationary tendencies, and the good will earned by the Federation the future of the Federation seems to be bright.

CHAPTER XXVI

THE PROVINCIAL COOPERATIVE INDUSTRIAL FEDERATION LTD

Cooperative Societies for industrialists have been working in the Province for a long time. These societies have been organising purchase of raw materials required by the artisans and sale of their finished products. But they had a chequered history due to the 1st great war, foreign competition and the trade depression.

In the absence of any coordinating agency the work of purchase and sale could not be organised properly and most of the business was confined to only credit. Even for credit the societies had to depend on the central banks. The hands of the central banks were, however, full with the agricultural credit societies and naturally not much help was given to the societies for the cottage industrialists.

When the last world war broke out many of the existing societies were hard hit due to the scarcity and high prices of the raw materials, and many a society had to reduce its business. The war, however, created a demand for many articles whose production could be undertaken by the cooperative societies. The Societies, therefore, undertook to organise cooperative production of articles of war materials which cover a wide range and include tent components, camouflage nets both made of cotton and hemp, towels, gauze, bandage cloth and knitted goods. The orders for these and similar goods were so large from the Defence and the other departments of the Government that not only the members of the existing societies were fully occupied, fresh societies were also organised. A further impetus was given to the societies, specially to the weavers societies, by the scarcity of cloth for civilian consumption.

With the increase in war orders and the consequent necessity of ensuring that the societies produce goods according to specification the necessity for a Provincial organisation to coordinate the activities of the Industrial Stores and Societies and to facilitate production and execution of war orders became more pronounced. The Provincial Cooperative Industrial Federation Ltd therefore was established in 1941.

The objects: The objects of the Federation cover a wide field and include (a) development and improvement of cottage Industries on cooperative lines, (b) establishment of factories and workshops, (c) improvement of industrial production and designs, (d) raising of funds for the business of the Federation, including the working of its own factories and workshop and to finance unions and societies affiliated to it, (e) stocking raw materials for its own use and for affiliated societies and unions and to supply it on cash basis or credit, preferably in kind, (f) advance of raw materials for being manufactured into goods of specified quality, (g) acquisition of agencies from the manufacturers of raw materials, tools etc. in order to supply the same to the members on commission basis or stocking the implements on its own account, (h) lending of implements on a hire purchase system, (i) regulation of prices and supervision and control over the marketing of finished products, (j) securing orders for the supply of commodities and arranging manufacture either itself or through members, (k) distribution of orders secured among members and planning production, (l) supervision of the execution of orders, (m) working as selling agents of the producers, (n) establishment of trade connection, sale depots, selling agencies and offices of distributing agents etc. for the disposal of the finished products of its members and itself in and out of the Province, (o) processing of the products before sale and offering of facilities for grading and transportation to members, (p) conduct of industrial surveys and establishment of a bureau of information, (q) conduct of experiments and development of new industries and (r) observation of market trends in order to inform the members accordingly.

The objects, thus, include every thing that is needed for the development of industries.

Membership: The membership of the Federation as confined to primary and central societies of the industrialists, registered under the Act of 1912. Members are admitted by the Board of Directors on the recommendation of the Secretary or a sub-committee.

Funds: The funds of the Federation are derived from the following sources—

- (i) Shares, (ii) deposits, (iii) debentures, (iv) donation and grants, (v) contributions, (vi) loans, (vii) Reserve and other funds and (viii) profits.

The authorized capital is Rs 50 lakhs divided into 50 000 shares of Rs 100 each. For every share Rs 10 are payable with the application and Rs 40 by two equal calls of Rs 20. The rest remains a reserve liability and may be called in a special emergency in two equal instalments. A fresh call cannot, however, be made within 3 months without the sanction of the Registrar.

For failure to pay a call an interest at 9% is charged, and if the call remains unpaid for 3 months the share money becomes forfeited. Shares are transferable only where the society is split up into two or more or the society holds shares in excess of its requirements.

The shares cannot be withdrawn unless the Society is dissolved or is affiliated to another federation.

Loans deposits and debentures are other important sources. These have to be kept within limits fixed by the general meeting but should in no case exceed 8 times the owned capital without the Registrar's sanction.

The Board of Directors can also levy a contribution on the members at a rate not exceeding 10% of their net profits during the previous year.

Government have also been placing large amounts at the disposal of the Registrar for organising war supplies, and the Industrial Federation has received considerable financial assistance from the Registrar.

As is usual with other limited liability societies $\frac{1}{4}$ th of the net profits is credited to the Reserve Fund.

Liability The liability of a society for the debts of the Federation is limited to 5 times the nominal value of the shares held.

Business of the Federation The business which can be undertaken by the Federation is clear from the objects of the Federation. Special attention is however, given to supply of raw materials to the affiliated societies, disposal of products, securing orders giving sub-contracts to affiliated societies, arranging collection of bills on behalf of the members, making advances to affiliated societies and introduction of improvements in the manufacturing processes. The Federation can deal with non members only with a special or general permission of the Registrar.

It can open branches and agencies in or outside the Province with the Registrar's sanction, and frame rules for their guidance. A sub-committee may also be formed to supervise branches and agencies.

Administration : The administration of the Federation vests in the following :—(i) the General Body, (ii) the Board of Directors, (iii) the Executive Committee (if appointed by the Board), (iv) the President and (v) the Secretary.

- **General Body :** The general body consists of the Registrar, ex-officio, the Additional Registrar, the Deputy Registrar, war supplies, the Director of Industries or his nominee, the Technical Adviser and Industrial Assistant Registrars, a Deputy or Assistant Registrar nominated by the Registrar, Coopted Directors, the Honorary Secretary, and delegates of the member societies.

A primary society is represented by one delegate and a central society by 1 to 3 delegates according to the business done by the Federation. The delegates are elected and hold office for 1 year.

The President of the Federation is the Registrar, ex-officio.

The general meeting elects the Board of Directors and a Treasurer who may or may not be a member of the Board. It also fixes the maximum liability for the year.

The Board : The Board of Directors is constituted as follows: (i) Registrar, Cooperative Societies as President, (ii) 3 nominees of the Registrar from among the ex-officio members of the general body, (iii) 8 directors elected from amongst the delegates of the societies and (iv) not more than two coopted Directors.

The elected directors hold office for one year. They are eligible for re-election but cannot hold office for more than 3 consecutive terms without the sanction of the Registrar.

The Board meets at least thrice a year.

The Board accepts resignation of the members and admits new ones, controls officials of the Federations, frames business regulations and takes all the steps necessary for achieving the objects of the Federation.

Executive Committee : The Board may, also, appoint from among the Director an Executive Committee consisting of 5 members including the Registrar and a Deputy or Assistant

Registrar nominated by him on the Board. When formed, it will be the chief executive body of the Federation and will exercise such powers as are delegated to it by the Board.

President The President has the power to exercise all the powers of the Board in emergencies, and, if the financial stability of the Federation is threatened, he can take over the management and convene a general meeting within a month to consider his recommendations.

Secretary The chief officer of the Federation is the Secretary who is nominated by the President. He supervises factories, workshops and godowns of the Federation, considers loan applications, raises funds according to the orders of the Board and carries on the business of the Federation in general.

One or two Assistant Secretaries can be appointed by the Board not necessarily directors to assist the Honorary Secretary.

Profits From the gross profits the interests allowed, management expenses, provisions for bad debt or depreciation of stocks and buildings and other losses should be deducted to arrive at the net profits.

Out of the net profits at least 25% must be credited to the Reserve Fund. Not more than 10% can be used for charitable purposes and a dividend not exceeding 10% on the paid up share capital can be declared. A bonus can, also, be paid to member societies on the basis of non credit business done with the Federation.

Other funds like bad asset funds, Building Fund, Development Fund, Dividend Equalisation Fund, Sinking Fund, Depreciation Fund and Industrial Fund can be created. The Reserve Fund can be further strengthened or profits carried over to the next year.

The Reserve Fund is indivisible. On dissolution, if after meeting the liabilities something remains and the Federation does not decide on an object of public utility approved by the Registrar, the funds can be used for promotion of industrial cooperation in the Province.

All officials of the Federation are pledged to secrecy regarding the business of the Federation.

Progress Though the objects of the Industrial Federation are comprehensive, the actual work of the Federation has so far

been organisation of war supplies only. The urgent necessity of meeting the demands from the war and connected departments kept the Federation busy, and questions of improvement of designs, organisation of new industrial societies on a cooperative basis, introduction of new improved tools and improvements in the method of productions have all been neglected.

Even the production of war materials has not always been undertaken by the Federation on a cooperative basis. The execution of orders was carried out, in many cases, by distributing the work among industrial workers in the line in certain localities without organising them into cooperative societies. No doubt, some of the groups were organised into cooperative societies but many of these were dissolved when the war orders ceased.

The work of Industrial Federation in connection with war supplies has been commendable. Cooperative production of a wide range of articles has been undertaken. It includes tent components, both cotton and hemp, camouflage nets, towels gauze, bandages, knitted goods and *tat patties*. Anklets and Mazri cloth and *Newar* were also supplied.

Besides the war materials, the Industrial Federation supplied goods to the A. R. P. organisation and Inspector General of Civil Hospitals. During the period of cloth shortage in the Province marketing of cooperative cloth for civil requirements was also taken up. *Dhoties*, *Saris*, shirting, coating and sheeting were supplied for civil consumption.

In 1941-42 the total value of goods supplied to the Defence Department amounted to Rs. 20.5 lakhs, and orders about double this amount were pending execution at the close of the year.

In 1942-43 the supplies to the Defence Department amounted to Rs. 26.5 lakhs. The supplies to other Departments came to Rs. 24 lakhs.

The supplies made in 1943-44 amounted to Rs. 51.29 lakhs.

The federation has so far worked with very little of its own capital. Although the authorized capital of the Federation is Rs. 50 lakhs divided into 50,000 shares of 100/- each, in 1943-44 there were only 58 shares issued and the paid up share capital amounted to only Rs. 560/-. Most of the capital for the execution of war orders came from the funds placed at its disposal by the Registrar, Cooperative Societies out of the Government grant for this purpose. The Government grant was Rs. 7.48 lakhs in 1941-42, Rs. 21.15 lakhs in 1942-43 and Rs. 17.80 lakhs in 1943-44.

The Industrial Federation borrowed some of the capital required. The borrowings held by it were as follows

Year	Borrowings from individuals	Borrowing from central banks	Borrowing from Societies	Total
	Rs.	Rs.	Rs.	Rs.
1941-42	15,084	356,425	190	592,509
1942-43	71,270	510,885	13,288	594,943
1943-44	145,918	146,260	70,181	362,359

The lendings outstanding against centres and others amounted to Rs 852,368 in 1942-43 and Rs 577,206/ in 1943-44. Its future. But now that the war is over the question of its future may be examined.

Cessation of hostilities has terminated the war orders and as such the business of the Federation has disappeared overnight. With the disappearance of the necessity for war materials the Government grant is bound to shrink very considerably. The Federation, thus, must turn its attention to its legitimate work, if it has to exist even on a moderate scale.

It is regrettable that efforts have not been made by the Federation to build up its share capital during the time of prosperity for the industrial societies in the Province. The Federation is bound to be handicapped for want of funds in the post war years unless a considerable share capital is obtained by it within a short time. But the difficulties regarding finance are not insurmountable if the Federation can justify its existence by proving its usefulness to industrial societies. All the industrial societies will join it if it is useful, and willingly purchase its shares. If it can, thus, create confidence among the Central Banks and the Provincial Bank the Federation need not worry about the finances it will require.

The real key to the success of the Federation is its ability to coordinate the working of industrial societies, to organise and introduce new industries, to help the societies in getting sufficient raw materials of good quality, to make improved designs and patterns available to the members, to secure improved tools and machinery for the members and, above all, to organise the sale of finished products and secure a good price for them.

These activities have been neglected completely by the Federation, and it has flourished so far only on Government patronage. Not till the Federation can undertake these activities successfully can its future be assured.

That there is enough scope for such an organisation cannot be denied. Cottage industries have existed in the past, and will continue to exist. A large number of people is employed in these industries whose lot must be improved, and in any post-war plan the cottage industries are bound to be given an important place. Provided, therefore, the policy of the Federation is reorganised it has a future.

In order, however, to establish the Federation as a permanent feature of industrial coöperation in the Province the Federation will have to work on the following lines:

(a) It should first of all try to improve the technique of industrial production among the cottage workers. In the post-war years when the normal conditions return intense competitive conditions are bound to prevail. Unless the cottage workers of the Province are placed in a position to face this competition there would be no hope for them or for the Federation. The only method of doing this is to enable the cottage workers to produce their goods cheaply and quickly. The Federation should try to popularise improved tools and simple machines which can be worked by an ordinary cottage worker.

People engaged in the industries being illiterate and conservative, the Federation will have to demonstrate to the cottage workers the utility of the steps suggested by it. Demonstration workshops should be started, therefore, by the Federation at suitable centres where goods are produced with the help of improved tools and machines. The members of the societies should be invited to see the technique of production so that they may be convinced of its usefulness.

(b) The Federation should, also, devote considerable attention to watching the changes in tastes and fashions. According to these changes continuous experiments with patterns and designs should be made by it. New designs to suit the requirements of the time should be evolved and circulated to its members so that obsolete goods are not produced by the Federation. A research section should be opened at the headquarters where expert craftsmen should always be busy with experiments in new patterns and designs.

(c) One of the important duties of the Federation should be to arrange for the supply of raw materials to industrial societies and other members.

The Federation should estimate the requirements in respect of raw materials and other things and either purchase them itself in the best possible market or arrange to get it for the members on a commission basis. The best thing for the Federation to do would be to purchase the requirement itself and then supply it to the members for cash or against the deposit of their products. But, if for financial reason it is not possible for the Federation to do so it should require indents from the societies and individuals, place orders for bulk supplies and then distribute the supplies according to the indents.

Cheapness in purchases and genuineness of the quality are two important factors in enabling the cottage workers to withstand competition.

(d) Organisation of sale has always been the weakest point of co-operative organisations. The Federation must, therefore, pay particular attention to this question. Unless better prices can be obtained for the goods of the members they will have no tangible advantages and refrain from joining the Federation.

For efficient and advantageous sale one of the essentials is advertisement of goods. Neither the industrial societies nor individual cottage workers can advertise the goods properly and this function will have to be undertaken by the Industrial Federation. At important places in the Province show rooms should be established where the products of the cottage industries may be displayed. Being an apex institution it can arrange with emporiums for the display of the member's goods. It should also arrange to send exhibits to the industrial and other exhibitions held from time to time, in the Province.

The Federation should appoint sale agents and open depots for pushing up sales of member's products.

(e) It should also try to secure orders and distribute them among the members of the Federation.

(f) The greatest necessity of the moment is however development of cooperative ideas and making the Federation a really cooperative organisation. At present the Industrial Federation is an official ridden body and is looked upon as a Government institution. For a cooperative organisation to give that impression is regrettable. It is necessary, therefore, that the Federation should be deofficialised as soon as possible. Deofficialisation does not mean withdrawal of official sympathies altogether. Guidance from the Department will be necessary but steps should be taken to decrease official control in the near future.

Removal of official control is necessary from another point of view. If the Federation is to exist, the cost of management should be kept at the minimum consistent with the efficiency of the organisation. Control by the representatives of the members of the Federation is bound to be cheaper in the long run.

If the Federation reorganises itself on the above lines its future will be assured and it will bring great benefits to the industrial classes of the Province.

THE U P COOPERATIVE UNION

It was found by the Oakden Committee in 1926 that the central banks were more interested in their financial operations and to find fresh outlets for their capital encouraged formation of new societies without proper attention to conditions precedent to their success. They neglected the supervision of the movement. Consequently the Committee recommended that the function of supervision should be transferred to a body created for this purpose.

To implement the recommendations of the Committee, therefore, the standing committee of cooperators, which was only an advisory body, was converted into an administrative body known as the U P Cooperative Union in 1928.

Constitution and working Objects The objects of the Provincial Union are (a) to develop and strengthen the cooperative movement in the Province, (b) to advise the Cooperative Department in matters of policy, (c) to coordinate its activities with similar organisations in India and abroad, (d) to bring together cooperative institutions in U P for common endeavour and to create a community of interest among them, (e) to organise, improve and reimprove cooperative societies and to supervise cooperative societies affiliated either directly or through central banks and to maintain proper supervising staff, (f) to maintain a provident fund for the employees, (g) to facilitate mutual aid between central banks and (h) to carry on cooperative propaganda and education.

Membership There are 3 types of members (1) Ex officio members, viz., the Registrar, the Deputy Registrars, the Assistant Registrars, the Cane Commissioner, Rural Development and Cane Development Officers. (2) nominated members such as the Editor of Cooperative Journals, who are nominated by the Registrar for their special knowledge or interest in the movement. Such members will not be more than 7 at any time. Two of them should be ladies. (3) Society members, i.e., central societies and isolated societies, credit and non credit.

Society members can be ordinary members or additional members. Ordinary members are those who have accepted the

scheme of provincialization of the supervising staff while additional members are those who have not accepted the scheme but are in sympathy with the other objects of the Union.

A society-ordinary-member can withdraw after 5 years of membership, at the close of the cooperative year, after 6 months' notice. Additional members are permitted to withdraw at the close of the year after only one month's notice provided all the dues have been paid.

Funds : The funds of the Union consist of (i) annual contributions, (ii) fees from additional members, (iii) Government grants, (iv) Provident fund, (v) other contributions, (vi) receipts from the sale of journals and other publications, (vii) donations and (viii) loans and deposits according to regulations framed from time to time.

Contributions and Government grants are, however, the two chief sources of funds.

Ordinary members have to contribute 55% of the cost of supervision incurred by the Union in the previous year. The cost is worked out on a provincial average. The Provincial Committee is authorised to grant necessary reductions in individual cases:

Members, who have been admitted on the express condition that the full cost of supervision will be borne by them, pay the full cost unless the Executive Committee varies the terms.

Additional members have to contribute Rs. 25/- per year in the case of a central bank and Rs. 10/- per year in other cases.

Loans and deposits can not be raised without the written sanction of the Registrar.

Utilisation of funds: The funds of the Union are applied to the achievement of objects specially to (i) maintenance of necessary staff for the supervision of isolated and other societies either directly affiliated or affiliated through a central bank, (ii) maintenance of the staff of the Union and contribution to their Provident Fund, (iii) publication of cooperative literature and diffusion of cooperative education and (iv) development of all types of cooperative activity.

Government grants, however, can be used only for the purpose for which they have been made.

Administration The administration of the Union is carried on through (i) a General Body, (ii) a Provincial Committee and (iii) an Executive Committee.

General Body A member central society appoints 2 of its directors by a resolution of the Board as delegates to the general body of the Union. One of them must be a representative of ordinary members. A central society having more than 150 affiliated societies has the right to send an additional delegate. These delegates are sent for 3 years.

An isolated primary society having more than 150 members or working capital exceeding Rs 50,000/ is represented by a delegate appointed from among its members by a resolution of the committee of management.

Other ordinary isolated members elect one delegate for every 15 societies.

The Registrar of Cooperative Societies is the President of the general body.

The general body elects a Provincial Committee and one of them as Vice President. It confirms the admission of new members and regulations framed by the Provincial Committee.

Provincial Committee The composition of the Provincial Committee is as follows:

- (1) The Registrar who is the President ex-officio, (2) other ex-officio members of the Union, (3) not more than 5 nominated members co-opted by the committee from among the nominated members. Two of them must be ladies, (4) 30 members elected from among the delegates to the General body, 4 from each circle of an Assistant Registrar of whom at least one is a member of a primary society and one a preference share holder of a central society.

Elected members hold office for a year.

The Provincial Committee frames rules and regulations, controls all business and is responsible for supervision. It maintains and controls the necessary staff.

Executive Committee The Executive Committee is the chief administrative body of the Union. It consists of (a) the Registrar—ex-officio chairman, (b) one ex-officio member nominated by the Registrar, and (c) 5 other members elected by the

Provincial Committee from among its members. One of these at least is a preference share-holder of a central bank and one a member of a primary society.

The elected members in this case also hold office for three years.

The Executive Committee admits members and permit withdrawal subject to confirmation by the General body. It arranges for better organisation, supervision and education of primary societies affiliated. Staff is trained and maintained for this purpose and the committee is authorized to demand securities from the staff. It can dismiss, suspend or punish all employee subject to an appeal to the Provincial Committee. All advice in matters of policy and other important matters is tendered to the Department by the committee.

The committee appoints a Secretary also who is the chief administrative officer of the Union.

No part of the funds can be distributed among the members. All surpluses are used for promoting the objects of the Union.

Profits are carried to a Reserve fund which is indivisible.

Liability : The liability in case of liquidation is confined to ordinary members and is limited to Rs. 50/- in addition to what is owed by the society to the Union.

Progress : The following table shows the growth in the number of members of the Union.

Year.	Ordinary members.	Additional members.
1929-30	53	14
1930-31	59	12
1931-32	62	12
1932-33	63	12
1933-34	64	13
1934-35	64	13
1935-36	66	14
1936-37	71	16
1937-38	79	14
1938-39	83	14
1939-40	87	11
1940-41	88	15
1941-42	81	15
1942-43	81	12
1943-44	83	14

Supervision and Organisation The main function of the U P Cooperative Union being supervision and organisation of cooperative societies, the Union has paid special attention to this point. For the first two years the Union concentrated only on the credit work. Later, however, the activities of the Union were extended to other fields also.

The number of supervisors in the employment of the Union has increased steadily to which the following statement bears witness

Year	Number of supervisors, village	Number of supervisors, village
1950	1	1
1951	1	1
1952	1	1
1953	1	1
1954	1	1
1955	1	1
1956	1	1
1957	1	1
1958	1	1
1959	1	1
1960	1	1
1961	1	1
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2028	1	1
2029	1	1
2030	1	1
2031	1	1
2032	1	1
2033	1	1
2034	1	1
2035	1	1
2036	1	1
2037	1	1
2038	1	1
2039	1	1
2040	1	1
2041	1	1
2042	1	1
2043	1	1
2044	1	1
2045	1	1
2046	1	1
2047	1	1
2048	1	1
2049	1	1
2050	1	1
2051	1	1
2052	1	1
2053	1	1
2054	1	1
2055	1	1
2056	1	1
2057	1	1
2058	1	1
2059	1	1
2060	1	1
2061	1	1
2062	1	1
2063	1	1
2064	1	1
2065	1	1
2066	1	1
2067	1	1
2068	1	1
2069	1	1
2070	1	1
2071	1	1
2072	1	1
2073	1	1
2074	1	1
2075	1	1
2076	1	1
2077	1	1
2078	1	1
2079	1	

Year	Number of supervisors, village guides and Assistant Supervisors
1928 29	157
1929 30	181
1930 31	191
1931 32	197
1932-33	205
1933-34	198
1934 35	211
1935-36	258
1936-37	294
1937 38	310
1938-39	306
1939-40	487
1940-41	483
1941 42	506
1942 43	501
1943-44	542

How gradually the supervision of other activities besides credit has been undertaken by the Union is shown by the table given below

Table showing the number of supervisors engaged in various activities

[illegible]

Agricultural supply.	..	..	..	..	..	..	..	..	..
Dairies	...	..	..	..	..	..	..	..	2
Irrigation	...	..	..	..	..	..	..	..	..
Poultry	...	..	..	..	..	..	..	..	..
Arbitration	..	..	..	..	..	..	..	...	..

Continued

Year	1938	1939	1940	1941	1942	1943	1944
Credit	238*	233*	256*	255*	252*	262*	258*
Consolidation of Holdings	20	16	15	15	15	12	12
Industrial	3	3	3	5	2	..	..
Propaganda	..	..	..	..	..	..	..
Works among ladies	5	5	6	6	6	6	6
Land mortgage	3	4	4	4	4	2	2
Marketing	38	41	193	187	204	201	249
Building and weaving	..	..	..	..	..	..	..
Agricultural supply	1	1	..	..	..	..	..
Dairies	2	3	6	4	4	6	..
Irrigation	..	..	1	..	..	..	6
Poultry	..	..	...	3	4	3	3
Arbitration	..	..	1	1	1	3	3

It can be seen from the table that although the supervision of credit societies is still the most important work of the Union, supervision of other cooperative activities has been progressively undertaken. The Union has tried to develop consolidation of holdings, land mortgage banks, industrial societies, milk and dairy societies and cooperation among women and depressed classes. Since 1936-37 marketing work has been receiving special attention from the Union. Ghee, sugarcane and cotton were the chief agricultural commodities for the marketing of which supervisors were appointed till 1939-40. With the scarcity of food grains and other essential commodities, due to war conditions and consequent panic, distribution of commodities became a serious problem, and at many places it was placed in the hands of cooperative societies. Marketing of agricultural produce other than those which had been already undertaken and distribution of essential commodities brought into existence numerous cooperative depots and the Provincial Development and Marketing Federation. The Union, therefore, had to undertake the supervision of a very large

*—Includes those for organisation,

number of marketing societies. This explains a very large increase in the number of marketing supervisors maintained by the Union.

Many of the societies specially those whose main business is distribution of essential commodities have, however, worked successfully under artificial conditions created by controls and rationing. Now that the war is over these conditions are bound to disappear sooner or later. The societies then would have outlived their usefulness and would cease to exist. The heavy pressure of work on the Union so far as supervision and organisation is concerned can be said to be temporary and will be lessened in no distant future.

The Union will, therefore, be well advised to pay greater attention to societies that existed in the pre-war period as compared to those that have sprung up during the war due to a purely temporary necessity.

At the close of the year 1943-44 9,253 credit societies and village Banks 792 Ghee Societies, 4 cooperative organisations for marketing of milk and milk products societies under 2 Khoya marketing Unions 2 organisations for the marketing of fruits and vegetables societies under 2 marketing Unions for Potatoes, women's societies, consolidation of holding societies and societies for depressed classes were working under the Union's supervisors.

That supervision of the societies is more effective under the Union as compared to banks which have not so far accepted provincialisation can be easily seen from the percentage of collection in the two types of societies. In 1931-32 the percentage of collection in provincialised banks was 35.29 as against 29.03 in non-provincialised Bank. Figures for 1943-44, however, show a marked difference. While for the former the percentage is 87.3 for the latter it works out at 68.8 only.

The Inspector of Cooperative Societies and the Central Banks report on the work of the supervisors. In 1931-32 in order to make the supervisors work more efficiently it was decided by the Union that the members of the Provincial Committee should also inspect cooperative societies occasionally and report to the Union. This system still continues.

This Union punishes the supervisors and rewards those whose work has been outstanding.

There is no doubt, therefore, that from the point of view of the supervision of the Movement the Union has amply justified its existence. Nor has the work of organisation been neglected.

The Union has employed through out its existence a number of its supervisors for the organisation of new societies. In 1943-44, 19 supervisors organised 420 new societies after intensive cooperative propaganda. Great emphasis is laid on rural welfare activities of the supervisors so that the life in the villages under their charge may become more worth living. The Union invariably considers how far a supervisor has been successful in this direction in giving promotion to its supervisors.

Cost of supervision and organisation : The cost of supervision and organisation is met partly by Government grant for that purpose and partly by contributions from member-banks and societies.

In the beginning Government bore half the cost of supervision and the other half was met by the Banks by contribution of $\frac{1}{3}$ the interest accrued during the previous year and $\frac{1}{3}$ the supervision fee from societies working with more than 75% owned capital.

When new activities were undertaken the contributions were found to be inadequate, specially because new ventures could not be called upon to bear the cost of supervision but required very close supervision in order to be successful. The contribution of the Banks was therefore raised to 55% of the cost of supervision. The Government grant, however, did not increase in the same proportion.

Separate grants have, however, been given by the Government from time to time for special activities.

Training : The supervision of the Movement depends a good deal on the quality of the Supervisors. It, therefore, becomes necessary to select suitable men and train them efficiently. It was found early by the Union that town-bred young men were not suitable for this type of job for they were not familiar with the conditions prevailing in the rural areas. It was, therefore, decided to give preference to people having requisite educational qualifications coming from agricultural families. Preference was also given to such men whose wives were willing to work in the villages.

Since the Union is charged with the duty of supervision the selection and training of its employees should be a legitimate function of the Union. For want of funds, however, training has not been taken over by the Union. The Cooperative Department has always been training Inspectors and Supervisors at the

Training Institute and the same system still continues. The Union contributes a portion of the expenses in connection with the training and examination of the Supervisors.

Separate arrangements have been made for the training of Lady Supervisors.

The training of the supervisors extends over a year and includes co-operation and allied subject and field work. The supervisors have to take the training at their own expense. The Union long ago realised that the system was a faulty one. But in spite of repeated requests for funds it has been unable to get any with which financial help could be given to persons under training.

Out of its own funds however the Union gives a stipend of Rs 10 per mensem during the last three months of their practical training.

For the benefit of its employees the Union has constituted a Provident Fund also, to which it contributes.

Education and Propaganda (a) **Journal** The U P Cooperative Journal was transferred to the Union in 1929-30. At present the Journal is being published quarterly. For the publication of the Journal the Government has been giving a grant to the Union. Of late the Registrar of the Cooperative Societies has also been supplementing the grant to cover the cost of publication. A larger subsidy from the Government is necessary to make the journal more attractive and useful.

(b) A provincial conference is also held annually under the presidentship of some well known cooperator wherein officials and non-official meet and discuss cooperative problems. Such discussions are very useful and throw fresh light on many problems which face cooperators of the Province. It is regrettable, however that in some years the cooperative conference had to be abandoned for want of funds.

Besides the publication of journals and Provincial Conferences very little has been done by the Union by way of education and propaganda.

The growth of cooperative activity in the Province has been stunted mainly due to the fact that the principles of cooperation are but imperfectly understood by the people. A body, therefore which is responsible for organisation, reorganisation and development of cooperative activity in the Province must give education and propaganda the chief place among its activities.

The Union, in the first place, must not be content with the training of the supervisors only. It should arrange for short courses which may be taken advantage of by the members of committees of management of the societies and others who are interested in the Movement.

Secondly, since cooperation in India has necessarily to work in the rural areas, articles in simple language of the Province should be published by the Union and freely circulated in the rural areas so that the vast rural population where cooperation works may have a better cooperative education. If such publications are not self-supporting it should not deter the Union from taking them in hand. The strength of the Union lies in the expansion of the cooperative activity in the Province and real expansion is not possible unless the principles are preached from the house tops.

From this point of view the English journal has not been very helpful.

To popularise the Movement conferences should become more frequent and the Union should take steps to organise cooperative exhibitions and lectures.

Since the Union suffers from a lack of funds it is obviously the duty of the State to come to its help for this necessary function. A considerable increase in the Government grant is an urgent necessity without which education of the people in cooperative principles and practices is bound to be neglected.

Financial condition: The financial position of the Union will be clear from the following tables showing the income from main sources of funds, total income and total expenditure.

(in thousands of Rupees)

Year	Government Grants	Others.	Contributions	Provident Fund	Securities
1929-30	67·67	1·56	71·11	51·08	10·26
1930-31	57·68	3·40	86·71	64·97	6·81
1931-32	69·10	8·14	83·64	78·44	6·71
1932-33	71·87	3·99	82·03	91·03	5·55
1933-34	71·33	4·90	76·54	102·64	5·28
1934-35	75·73	12·71	65·73	110·47	6·83
1935-36	76·56	29·58	64·91	127·09	5·89
1936-37	81·61	6·37	118·17	139·21	5·29
1937-38	92·61	5·21	128·04	151·87	4·21
1938-39	131·20	3·18	100·35	169·45	4·21
1939-40	117·86	2·31	104·38	175·06	4·21

COOPERATIVE MOVEMENT IN U P

1940-41	247 27	55	106 55	191 06	3 52
1941-42	224 59	55	105 32	200 16	3 78
1942-43	196 34		167 67	209 16	2 98
1943-44	184 91		192 94	217 30	2 57

TABLE II

Year	Total income	Total expenditure.
1930-31	177 28	171 95
1931-32	182 19	169 06
1932-33	177 15	163 77
1933-34	174 58	165 43
1934-35	164 29	162 54.
1935-36	180 79	179 82
1936-37	218 34	215 43
1937-38	231 73	230 08
1938-39	240 44	232 53
1939-40	233 59	211 33
1940-41	370 43	367 75
1941-42	318 83	322 22
1942-43	372 10	376 89
1943-44	315 25	344 52

During the last few years, as is evident from the tables, the financial condition of the Union has not been satisfactory. A committee was appointed by the Union in 1940-41 to suggest ways and means to improve the situation. In 1943-1944 the recommendations of the committee were given effect to and the expected deficit was converted into a surplus.

The fact, however, remains that the Union depends to a very large extent on Government grants. From the cooperative point of view this dependence is deplorable but under the circumstance unavoidable. The central banks in the Province as compared to similar institutions in the other provinces are tiny institutions and unable to bear the cost of efficient supervision. Government should, therefore, be more generous to the Union to bring financial stability to the Union.

CHAPTER XXVIII COOPERATIVE LEGISLATION

The attitude of Cooperation towards the State has always been one of political neutrality. Individual members of cooperative societies have the right to seek election to political bodies but cooperative societies as cooperative institutions are not entitled to any representation on the legislatures or local bodies.

In other countries of the world cooperation has been a peoples' movement. The state has been sympathetic towards cooperation and has indirectly helped it by passing special legislations and granting concessions and privileges to cooperative societies.

In India, due to the ignorance and illiteracy of the people, the state has gone a step further and the movement has been a result of direct Government initiative. Not only special legislations have been passed and concessions granted to the societies, the Government has also established a special department to guide and work the cooperative movement. Even direct financial assistance has been given to cooperative institutions, where necessary, although the general policy has been to undertake no financial responsibility for the Movement.

Cooperative Legislation: The societies in the U. P. were governed by 'Cooperative Credit Societies Act, 1904' till 1912.

In 1912 the Act of 1904 was amended to extend the scope of cooperative activity. The Cooperative Societies Act, 1912 (II of 1912) governs the Movement in the Province still.

Under the Act of 1912 the classification of societies was changed from 'Rural' and 'Urban' to 'Limited' and 'Unlimited.' Recognition was granted to higher cooperative finance and 'non-credit' cooperative activity.

The Act of 1912 has been amended twice, once in 1919 and again in 1944.

Amendment of 1919: In 1919 to facilitate arbitration proceedings section 42 of the Act of 1912 was amended and after sub-section 4 another sub-section 4-A was added. "Any sum

ordered under this section to be recovered as a contribution to the assets of the society or as cost of liquidation may be recovered, on a requisition being made in this behalf to the Collector, by the Registrar of Cooperative Societies, in the same manner as arrears of land revenue."¹

At the beginning of sub-section 5 of the section the following words were inserted, viz, "save as provided in sub-section 4-A."²

Amendment in 1944: In 1944 to strengthen Salary Earners' Societies a Governor's Act was passed amending the Act of 1912, and a new section 28A was added to section 28 of the old Act. This section runs as follows:

"28-A (i) Any member of a society may execute any agreement in favour of the society, providing that his employer shall be competent to deduct from the salary or wages payable to him by the employer such amounts as may be specified in the agreement and to pay the amount so deducted to the society in satisfaction of any debt or other demand owing by the member to the society.

(ii) On the execution of such agreement the employer shall, if so, required by the society, by a requisition in writing and so long as such debt or demand or any part of it remains unpaid, make the deduction in accordance with the agreement and pay the amount so deducted to the society.

(iii) The provisions of this section shall also apply to all such agreements of the nature referred to in sub-section (i) as were in force on the date of the commencement of the Cooperative Societies Act, 1944.

(iv) Nothing contained in this section shall apply to persons employed in Federal Railways or other Departments directly under the control of the Central Government."

The Act provides for registration, rights and liabilities of the members, duties of registered societies, inspection, audit, arbitration and liquidation. Numerous privileges have been granted to the Cooperative Societies by the Act and under rules and notifications made by the U. P. Government.

Privileges to Cooperative Societies: (1) Cooperative Societies under the Act have been recognised as corporate bodies with a

¹Cooperative Societies (Amendment) Act, 1919 (U. P. Act III of 1919)

²Cooperative Societies (U. P. Amendment) Act 1944 (U. P. Act 1 of 1944)

perpetual succession and a common seal. They can hold property, enter into contracts and institute and defend suits and other legal proceedings.

(ii) The societies enjoy a priority of claims, subject to the prior claims of the Government in respect of land revenue or another sum so recoverable, and of the landlords in respect of rent. The societies, however, are allowed no power of distraint. Priority can be enforced only through a civil court on an application made under section 73 of the Civil Procedure Code.

(iii) The society has a charge on shares or interests in the capital and on the deposits of members and past members and bonus or profits payable to a member or past member in respect of any debt due from such members or past members.

(iv) Shares and interest are not liable to attachment or sale by any court.

(v) The liability of a past or deceased member continues for two years after the cessation or decease of a member.

(vi) Cooperative societies have been exempted from the operation of the Indian Companies' Act.

(vii) Remission of stamp duty has been granted by a Government notification dated the 23rd October, 1919, in respect of instruments executed by, or on behalf of, any registered society or instruments executed by any officer or member of the society relating to the business of the society. Arbitration awards are also exempted from stamp duty.

Receipts of personal pay by the employees, security bonds executed by an officer, orders of a liquidator sent for execution to a civil court and receipts for honorarium to honorary workers do not come under these exemptions.

(viii) The Governor-General in Council has also remitted registration fees payable by registered societies and fees chargeable on instruments executed by any officer or members of the society relating to the business of the society.

A cooperative society can inspect the necessary books in the Sub-Registrar's office, in order to ascertain encumbrances, free of charge. Societies have to apply for inspection through the Registrar, Cooperative Societies.

(ix) The operation of the Income Tax Act has, also, been suspended against the profits of registered societies and dividends.

(x) Cooperative societies have been given the privilege of

depositing strong boxes for safe custody in Government Treasuries, provided no other arrangements for safe custody of funds and papers at reasonable costs can be made and frequent applications for opening the Treasury are not made

(xi) Temporarily cash balances can also be deposited at police stations if the Superintendent of Police concerned is approached through the Registrar and the necessary permission is obtained

(xii) To facilitate issue of loans the societies have been granted the privilege of withdrawing upto Rs 3,000/- at 3 days' notice from head post offices and at 7 days' notice from other post offices. For a withdrawal of Rs 10,000/- a 10 days notice is required

(xiii) The Registrar, at the end of the year, can refund $\frac{1}{3}$ of the money order commission paid by the societies on remittances between the societies

(xiv) The concession of free remittance transfer receipts at par has been allowed to credit and non credit societies. The minimum limit of remittance is Rs 150/- This concession was later extended to central banks for remittances between these banks and the Imperial Bank of India. Municipalities and school boards can also use these receipts for transfer of their funds for investment in a cooperative bank. The Accountant General, U P has issued detailed instructions to the Treasury Officers regarding these concessions¹

(xv) The Government has recommended to the municipalities that the primary societies should be exempted from circumstance and property tax. It has exempted primary societies from this tax in the rural areas

(xvi) Under the Government Servants' Conduct Rules, Government servants have been permitted to invest their money in cooperative societies and take part in Cooperative Movement subject to certain restrictions which are considered necessary in order to avoid undue advantage being taken by the officers of their position

(xvii) According to the amendment of the Act in 1944 it has been made obligatory for the employers to deduct the dues from the wages or the salaries of the members of the society if there is an agreement between the member and the society to that effect. Thus the societies have been helped in recovering their dues

¹See Manual of Cooperative Societies in U P part I & 1944, pages 74-75

(xviii) The Government in U. P. has also expressed its opinion that school teachers working under District Boards can be usefully employed for cooperative work.

(xix) The Court of Wards, also, in its circulars has emphasised that so far as possible the Movement should be helped by the department.

(xx) And lastly, the Local Governments have been empowered by the Secretary of State for India to give financial assistance to cooperative societies for 'Harijans' and other experimental societies.

The concessions granted to the Cooperative Movement are thus extensive and valuable.

Since the Act of 1912 was passed great strides have been made by the Cooperative Movement in the U. P. The provisions of the Act and the concessions granted to the cooperative societies are no longer adequate to facilitate a proper development of cooperative activity in the Province. Experience has shown that many existing provisions need amendment and new provisions are needed. Even the concessions granted to the societies require enlargement.

Many of the other provinces of India have thoroughly overhauled the Act of 1912 to suit the local requirements and have passed separate acts. In the U. P. also the stage has been reached where a separate Cooperative Societies' Act is needed for a more rapid development of cooperative societies.

Amendments and new provisions suggested: The new Act should embody the following amendments and new sections.

(A) Amendments: (i) In section 4 of the Act of 1912 the phrase 'which has as its object the promotion of the *economic* interests of its members in accordance with cooperative principles' should be substituted by 'which has as its object the promotion of *common* interests of its members in accordance with cooperative principles.'

By now it has been recognised that the usefulness of the principles of Cooperation is not confined to economic activities only. An association of the people for non-economic purposes, e.g., for improving the health of the people is both possible and desirable. To extend the scope of Cooperation still further the above amendment is necessary.

(ii) Proviso (2) of the same section makes it compulsory for agricultural credit societies to adopt unlimited liability. Although

unlimited liability has many advantages and if the societies are properly worked involves little risks, due to the illiteracy and ignorance of the people it has always been a bugbear. Well-to-do agriculturists and moneylenders have kept aloof from the societies due to the fear of unlimited liability and a considerable amount of finances and business talents have, thus, been lost to the agricultural credit movement. The agricultural credit societies, therefore, have not been able to fulfil the expectations held of them.

It is no doubt true that 'Village Banks', now, have limited liability but as has been pointed out elsewhere these cannot replace agricultural credit societies. To mix up credit and other activities is not quite sound.

An option should, therefore, be given to the agricultural credit societies to have either limited or unlimited liability and Proviso (2) should be accordingly amended.

(iii) Section 9 of the Act of 1912 should be so amended as to make it obligatory for the Registrar to register a society if he is satisfied that the society has complied with the provisions of the Act and the rules and that the proposed by-laws are not contrary to the Act or the rules. Reasons for refusal to register a society should be recorded in writing by the Registrar. Appeals against the orders of the Registrar should lie to the Minister in charge of Cooperation.

The present powers of the Registrar are too wide. No doubt a certain amount of discretion is necessary to check the growth of societies with meagre chances of success but if the provisions of the Act have been complied with and the by-laws are also satisfactory there is no reason why the society should not be registered.

(iv) A similar amendment of sub-section (2) of section 11 of the Act is also necessary to make it obligatory for the Registrar to register by-laws or their amendments if in his opinion the provisions of the Act or rules are satisfied. For refusal to register the amended by laws or additional by-laws reasons must be given in writing.

(v) The MacLagan Committee recommended that the prior claims of the society might be definitely described as a charge on the property in respect of which the loan was granted. They have pointed out in their report that the priority of claims was inoperative as it was difficult to prove that a crop had been grown with the help of a particular loan. Another difficulty was that

unless the society had a decree from a court the priority could not be enforced against a judgment creditor. The position has not changed even today.

Section 19 of the Act should, therefore, be so amended that 'the lien as granted by the Act should also operate against outside attachment or sale even in the absence of a decree in favour of the Society' ¹.

(vi) The other provinces of India which have passed separate acts have extended the period of liability in the case of a deceased member to two years. The U. P. also will be well advised to follow the same. Section 24 of the Act should be amended accordingly.

(vii) Cooperative societies unless they are organised for providing long term credit cannot lock up their capital for long periods by advancing loans against mortgages of immovable property. Although under sub-section 3 of section 29 of the Act of 1912 the Provincial Government is authorized to restrict such lendings or even prohibit them no orders have been issued by the U. P. Government so far. The section may be retained as it is, but the powers given in sub-section 3 should be exercised and definite orders regarding instructions regarding restrictions on lendings on mortgage securities should be issued.

(viii) In order to strengthen the Reserves and thus increase the credit of the societies it seems desirable that a greater portion of the profits than is provided for in the Act should be contributed to the reserve fund. It is suggested that $\frac{1}{3}$ rd of the profits instead of $\frac{1}{4}$ th should be credited to the reserves. Section 33 and 34 have to be amended accordingly.

(B) New provisions : Besides the amendment of the existing sections of the Act of 1912 the new Act must include a number of new sections also.

(a) The Act of 1912 has no provisions regarding the status and management of Cooperative Societies. Under the rule making powers conferred by the Act on the local Governments, in the U. P., rules for the same have been made. Since the success of the societies depends, to a very large extent, on how they are managed, sections in the Act itself should be added regarding management and the Registrar of the Cooperative Societies should be given the powers to ensure that the societies are not mis-

¹MacLagan Committee Report—Pages 43.

managed. He should have the right to call a special general meeting of the Society within the time prescribed by him. A special general meeting of the Society shall be held to dissolve and reconstitute the committee of management at an enquiry or inspection he finds that the committee is mismanaging the affairs of the Society. If the general meeting fails to carry out the directions of the Registrar the administration of the Society till a new managing committee is elected. If this step is taken the reasons for the orders shall be given by the Registrar and the committee of management shall be given an opportunity to state its objections.

(b) To create confidence in the Movement and help its growth it should also be provided in the Act that with such safe guards as may be prescribed by rules in this behalf Government may give loans to societies or guarantee the payment of interests on debentures issued by them.¹ The debentures, however, shall not be issued without the sanction of the Provincial Government.

(c) One of the main differences between joint stock companies and cooperative societies is that while the former is dominated by profit seeking motive the latter has service as its ideal, and profits are only secondary. So that a Cooperative Society may not degenerate into a profit seeking body limitation of dividends is necessary. In the Act of 1912 no provisions regarding the limitation of dividends exists. A section in the Act is thus needed which will limit the rate of dividend.

(d) Settlements of disputes without reference to a court is an important thing from the point of view of Cooperation. The avowed objects of Cooperation are to encourage thrift and avoid wasteful expenditure. Since arbitration avoids litigation-expenses, which are very heavy in the country, it should find a place in the Act itself rather than be relegated to the rules.

The example of Bombay may be followed and the Arbitrators should be given the power to attach the property before an award is actually given in order to prevent disposal of property to avoid payment. It should be declared that the orders of the Arbitrators in this respect shall have the same force as a decree of a court of law.

(e) Since it has been suggested that agricultural credit societies should be given the option of having limited or unlimited liability the Act should permit a change of liability. It must, however, be

¹ Bombay Cooperative Society Act—Gupte pages 170 Section 33 A.

provided that the change will not come into effect till the written consent of all the members and creditors has been obtained or the claims of the members and creditors who do not accept the change have been discharged in full. Otherwise the confidence of the people in the society will be shaken.

(f) Fragmentation of holdings is one of the most serious handicap in agricultural improvement. To cope with the problem Consolidation of Holdings societies have been started in the Province but they have not become popular. There are a number of difficulties in cooperative consolidation which can only be removed if special provisions are made in the Act. The Act should provide that the same rights which a mortgagee has over the land mortgaged to him originally shall be transferred to new plots held by the mortgagor if the holdings are consolidated and that no suit shall lie in any court against a guardian of a minor in respect of consolidation effected through a Consolidation of Holding Society.

(g) The growth of long term credit facilities which are urgently needed by the people has also suffered due to the absence of provisions relating to this type of cooperative activity in the Act of 1912. Besides the amendment of the Tenancy Act in order to give transferable rights in land to occupancy and statutory tenants the operation of a number of existing legislations has to be suspended against mortgages in Land Mortgage Societies.

The Act must provide that the provisions of the Transfer of property Act, Insolvency Act, Trustees Mortgagees powers Acts and Land Improvements Act shall not be applicable to transfers made in favour of Land Mortgage Societies.

For the purposes of mortgages by members of a joint Hindu family the improvement of agricultural land or the method of cultivation and purchase of land should be declared "purposes binding on the members of a joint Hindu family."

So that the loan obtained from a land mortgage society, specially for the redemption of an old debt, is applied to the purpose for which it has been taken the Society should be given the right to give a notice to the creditor of the member to receive payment of the sum due to him within a certain time. It should be provided that if a creditor fails to accept such notice or receive payment such debt shall cease to carry any interest from that date.

For prompt recovery of the dues powers of distraint should be given to the Registrar so that on an application being made by the society the sum may be recovered from the defaulting member

by distraint and sale of not more than $\frac{1}{2}$ the produce of the land mortgaged including the standing crop¹. It should also be provided that if a mortgage deed confers the power of sale, without reference to a court, on a land mortgage society, in case a sale is made to recover dues no reference to a court shall be necessary. The title of the purchaser should not be open to question in this case.

Suggestions regarding enlargement of concessions. Further enlargement of concessions granted to Cooperative Societies will also be necessary to facilitate the growth of Cooperation in the United Provinces.

(1) Debenture bonds that may be issued by Cooperative Societies should be guaranteed by the Government in respect of interest and declared trustee securities. By doing so a greater flow of capital into the Cooperative movement can be assured.

(2) Receipts of deposits of agricultural and industrial products in Cooperative Sale Societies should also be made negotiable. Even if sale societies are not in a position to make advances against such products the producers will not be forced to sell their produce at unfavourable prices and will be enabled to wait for a better price. Advances obtained from other banks and bankers can be easily repaid out of the sale proceeds of the produce.

(3) A considerable financial help can be given to the Cooperative Movement if Takavi loans are advanced and collected through the cooperative societies.

(4) The Government should also permit local bodies like municipalities, District Boards, Improvement Trusts, schools, Court of Wards and Universities to invest their funds in Cooperative Banks. If these institutions are permitted to deposit the Provident Funds of the employees in Cooperative Banks a large amount of money for long terms will be available to the movement. The Registrar, Cooperative Societies should, however, grant the privilege of accepting such deposits to a few selected Banks only so that the provident fund deposits remain safe.

CHAPTER XXIX

THE U. P. COOPERATIVE DEPARTMENT

Besides legislative assistance the State in the U. P. has set up a special department to look after the Cooperative Movement and guide it.

The appointment of a Registrar, Cooperative Societies in the provinces was provided in the Act of 1904. The first Registrar in the U. P. took charge on the 23rd November, 1904. Since then the Registrar has been guiding the movement.

He is the head of the Cooperative Department and is assisted by Deputy and Assistant Registrars, Inspector of Cooperative Societies, Supervisors and Auditors.

The Registrar: The Registrar, Cooperative Societies has been the main-spring of the Cooperative Movement. Unlike the Registrar of joint stock companies he enjoys wide discretionary powers and his role is that of a friend, philosopher and guide of the Movement.

Powers of the Registrar (a) **Registration:** The powers of the Registrar may be summarised under 4 heads—(a) Registration, (b) Audit, (c) Arbitration and (d) Liquidation.

No society can call itself a Cooperative Society unless it is registered under the Act of 1912. The application for registration has to be made to the Registrar. He has to satisfy himself that the by-laws are according to the Act and rules, that they are suitable for the objects and that there are reasonable chances of success. If he is satisfied on these points he may register the society. The Registrar has the power to alter the draft by laws provided the written consent of the applicants has been obtained. He may also refuse to register a society. In such a case the fact is to be communicated to the proposed society with reasons.

Any additions or amendments to the by-laws have to be notified to the Registrar and registered. The Registrar has the power to accept or refuse registration. If registration of the amendment is refused reasons for refusal have to be given.

No additions or amendments become operative till registered.

(b) **Audit** Since the Registrar is responsible for the sound working of the Movement 'Audit' is a statutory duty of the Registrar. The Act provides that 'the Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year'. The auditors so appointed may be employees of the Department or outsiders considered fit by the Registrar.

Under the rules made in the U P the accounts of the primary societies must be audited within one year and those of the central banks within 2 months of the submission of the annual returns.

Audit fees are charged according to the following scale (a) Re /6 per Rs 100/ subject to a maximum of Rs 200/ in Central Banks and (b) Re /3 6 per Rs 100 subject to a maximum of Rs 100/ in other cooperative societies. These must be paid by 31st December every year.

Societies with a working capital over Rs 10 lakhs may be asked by the Registrar to bear the entire cost of audit but they will in this case be exempted from audit fees.

The Registrar has the power to remit audit fees wholly or partly.

(c) **Arbitration** The rules also provide that any dispute regarding the business of a cooperative society between cooperative societies, and members of a society and the society shall be decided by the Registrar or by arbitration. All such disputes must be referred to the Registrar in writing.

He may decide the dispute himself or appoint one, two or three arbitrators. In case 3 arbitrators are appointed each party to the dispute nominates one arbitrator and the third is nominated by the Registrar.

The Arbitrator the Chairman of the Board of Arbitrators or the Registrar himself as the case may be fixes the date and place of hearing. He has the power to administer oaths, summon witnesses and call for the necessary papers and documents. In these matters the powers of arbitrators are the same as those of civil courts. Failure to comply with the orders of an arbitrator makes one liable to legal proceedings.

The arbitrators hear the case, examine witnesses and records and give their award in writing within the time prescribed by the Registrar. They also determine who and in what proportions will bear the cost of arbitration. The provisions of the Indian Evidence Act do not apply to evidence taken by the arbitrators. An appeal lies to the Registrar, if he himself has not decided the case, within one month of the communication of the award. The Registrar can review his own judgment or the award of an arbitrator within 6 months if in his opinion there has been a miscarriage of justice.

No lawyers are permitted to represent either party to the dispute.

Thus the Registrar is ultimately responsible for arbitration even though the actual work may have been done by an arbitrator appointed by him.

(d)Liquidation : The Registrar, similarly, enjoys the discretion to order winding up of a society and to appoint a Liquidator.

If he thinks that a society ought to be dissolved the registration of the society is cancelled. This step is taken by him as a result of either an enquiry or an inspection of the books of the Society.

An appeal against the order for cancellation of registration can be made within 2 months to the local Government. In case there is such an appeal, cancellation does not become effective till the appeal has been decided. If there is no appeal or it is dismissed a Liquidator is appointed by the Registrar. As soon as the registration is cancelled the society ceases to be a corporate body.

The Liquidator so appointed can (1) institute and defend suits on behalf of the society, (2) determine contributions by present and past members to the assets of the society, (3) investigate claims of the society and determine priority, (4) determine who and in what proportions will bear the cost of liquidation and (5) direct collection and distributions of the assets.

The liquidator has the power of summoning witnesses and ordering production of books and papers.

Procedure of Liquidation : As soon as a Liquidator is appointed he takes charge of all the books, papers, effects and funds of the society.

A notice is then published calling upon persons to submit their claims against the society within a month

The debts and liabilities of the society are determined as they stood at the time of the cancellation of registration. All claims are examined and the questions of priority decided. On that basis a programme for discharging the liabilities is drawn up and submitted to the Registrar for approval.

The dues and other assets of the society are similarly determined and a programme for the recovery of assets and dues is drawn up and submitted to the Registrar for approval.

The liquidator has to determine the contributions to be made by the present and past members of the society to its assets and also who and in what proportion will bear the cost of liquidation. A formal order noting the amount to be realized from members and ex members is drawn up and submitted to the Registrar. The Registrar has the power to modify it. The order, as approved, may be sent to the Collector or the Civil Court for execution.

When the sanction of the Registrar to the programmes submitted by the Liquidator has been obtained realisations and payments can be undertaken.

After the recovery of dues of the society including contribution and the cost of liquidation and discharge of liabilities according to the programme, the society is wound up and a final report is submitted to the Registrar. Even during liquidation reports have to be submitted at regular intervals to him.

A meeting of the members of the dissolved society is then held in which the proceedings of liquidation are summarized. The liquidator ascertains the wishes of the members regarding the disposal of any surplus he may have in hand.

The Liquidator holds office during the pleasure of the Registrar and is always under his control.

In the United Provinces the Department has been rather unwilling to take the extreme measure of liquidation and it has been undertaken mostly when the entire assets have almost disappeared.

The procedure of liquidation involves considerable delays, too. Cases have to be instituted and the collection of contributions etc through a civil court or the collector is a long drawn out process.

Inevitability of these powers : During the whole life of a society, from its birth to its dissolution, at every stage, the Registrar's powers are effective.

So long as the Movement cannot be handed over to non-officials with a reasonable certainty that it will be conducted on right lines, wide discretionary powers for the Registrar are necessary. Discretion in registration is the only check on a mushroom growth of cooperative societies with no chances of success.

Control over audit, arbitration and liquidation are equally necessary. The Registrar has to satisfy himself that the Movement is financially sound. Audit, thus, must remain a special duty of the Registrar so long as he continues to be responsible for the Movement.

Being a person who is expected to be fully conversant with the working of cooperative societies, if expenses of litigation are to be avoided, there can be no other person better fitted than the Registrar to settle disputes regarding the business of cooperative societies. It is, therefore, in the fitness of things that powers of arbitration should be exercised by him.

The Registrar has to do everything in his power to create confidence in the Movement among the people. To see that the faith of the people in Cooperation is not shaken it has been necessary for the Registrar to have the power to scrap indifferent societies. 'Nothing succeeds like Success' and so 'Nothing fails like Failure'. A few good societies do much more to create confidence in the Movement than a large number of indifferent societies.

The powers of the Registrar are not arbitrary, however. So far as the internal working of the societies is concerned it is not intended that he will interfere. He is expected to exercise his discretionary powers only if in the interests of Cooperation and the growth of the Movement his intervention is necessary.

In addition to the above powers the other functions performed by the Registrar are, also, vital for the Movement. He has to study cooperative literature to keep himself posted up to date on cooperative development. Economic problems confronting different classes of people have to be studied by him and the economic conditions prevailing in the Province require a correct appraisal. He is responsible for the collection of cooperative statistics and advises the Government on all cooperative matters. The entire Movement is thus planned and conducted by him,

The importance of the Registrar for the success of Cooperation cannot, thus, be exaggerated

Necessary Qualifications of a Registrar In view of the extensive discretionary powers enjoyed by the Registrar the development of the Movement depends on the enthusiasm, ability and imagination of the person who occupies this responsible and exacting office. The Registrar has to be a highly gifted person and must be carefully appointed by the Government. It has been recognised by the Government as well as the people that the fate of the Movement is linked up with the Registrar. The Government of India in their resolution (R and A Department No 163-3 of 29-4 1901) said about the Registrar that 'he should be selected for his special qualifications'. The MacLagan Committee also has laid down the qualifications required and the duties to be performed by him. The Royal Agricultural Commission, 1928 has pointed out that the Registrar in order to develop Cooperation satisfactorily must possess a number of qualifications

Cooperation in the provinces being more or less a one man show, the personality of the Registrar has a great bearing on the success of the Movement. If the Registrar has a forceful personality he can bring about a rapid development of the Movement.

He must have a considerable administrative experience also. Knowledge of the people and their economic conditions are essential qualifications for the job as the cooperation of honorary workers has to be enlisted for the healthy growth of the Cooperative Movement.

The Oakden Committee has summed up the necessary qualifications for the post in the following words "Enthusiasm and the power of inspiring it in others, drive initiative and a wide education fortified by special training are the essential qualifications of the Registrar."

In the appointment of persons to the post of Registrar, Cooperative Societies the practice followed by the U P has been highly unsatisfactory.

The Registrars with a few exceptions, have been members of the Indian Civil Service and have been appointed without any reference to the qualifications necessary for the post. At the time he takes up his onerous duties, he may be having administrative experience but he is generally ignorant of the principles and

exercise powers which have been delegated to them by the Government

Assistant Registrars are empowered to apply to the Collector for recovery of contributions and costs of liquidation as arrears of land revenue

Other powers regarding arbitration and liquidation which are exercised by the Registrar have been delegated to the Deputy and Assistant Registrars by the Government

Directions regarding special meetings and matters to be discussed there in can be issued by them How the profits are distributed, reserve funds invested or sureties taken are subject to the approval of the Deputy and Assistant Registrars They have also been given powers (i) to permit dealings with non members in sale and purchase societies, (ii) to allow a higher rate of interest than provided for in the rules in central banks, (iii) to permit reduction of maximum liability, (iv) to permit non member sureties, (v) to sanction limits of outstandings against members, (vi) to permit cash credit facilities, (vii) to permit investment of a part of working capital in buildings etc., (viii) to allow bonuses being given and (ix) to permit withdrawal of shares

The appointments of Deputy and Assistant Registrars must also be made on the same considerations as apply to the appointment of the Registrar

In 1943-44 in addition to the Registrar there was one Additional Registrar and one substantive Deputy Registrar Two Deputy Registrars (temporary), one for war supply work and another for dehydration, were also working during the year

Seven Assistant Registrars have been appointed in the U P An Assistant Registrar is incharge of a circle

Inspection and Inspector of Cooperative Societies - For inspection of the societies the Cooperative Department maintains a number of Inspectors It has been recognised in the Province that inspection and supervision are two separate functions Inspection is periodical while supervision has to be continuous Inspection is to ensure that supervision of the Movement is effective Inspectors of cooperative societies, therefore, have to examine books and papers and if necessary even persons to have a real picture of the situation They must constantly watch whether the provisions of the Act and instructions issued by the Department are being followed by the societies or not and report

on the development of the cooperative societies within their area to the Assistant Registrar of the circle. It is necessary for them, therefore, to visit the societies at intervals and examine carefully how the societies have been working.

Supervision and Supervisors: Supervision is generally for the benefit of the financing banks. So that the funds advanced by these banks may remain safe it is in the interest of the banks to ensure that cooperative societies affiliated to them are managed properly. Before 1928, therefore, Supervisors were maintained by the central and district banks. For want of funds the number of Supervisors appointed by the banks was, however, hopelessly inadequate. The Oakden Committee, therefore, recommended that in order to improve supervision it should be transferred to a provincial organisation. In 1928 the U. P. Cooperative Union came into existence and since then supervision has been transferred to it by those central and district banks which are affiliated to it.

Supervisors are now employees of the Union but are attached to the central and district banks for supervision of the societies affiliated to them. The central and district banks cannot remove them from service but they can fine and report against them. Supervisors have to help the societies in maintaining their accounts and books. They have to see that the audit and inspection notes are enforced by the societies and that the societies are not mismanaged.

Inspectors give effect to the policy of the Registrar and the Supervisors have to see that the policy is followed by the societies in actual practice. Inspectors and Supervisors are, therefore, the two officials on whom depends the success of the Movement.

Since they have got to maintain direct touch with the people in the rural areas selections to the posts must be on the basis of their knowledge of rural conditions and sympathy for rural population. An intensive training in the principles and practices of Cooperation must also be imparted.

The Cooperative Department in the U. P. selects candidates for training as Inspectors not on educational qualifications only but rightly gives due weight to whether they belong to agricultural or non-agricultural classes. So far, however, little attention has been paid to a knowledge of Cooperation itself in selecting a candidate. Candidates, who, in their student career have studied the principles of Cooperation, should get preference over others who have not done so.

Training and remuneration For training Inspectors and Supervisors the Department runs special courses at the training institute. A candidate for Inspectorship has to undergo 9 months training at his cost and a supervisor 12 months training. Since no allowances are paid during the period of training the Department has not been able to secure the right type of men. While salaries are paid in other departments from the day a person is appointed a candidate for Inspectorship has to wait for a long time before he begins to earn a salary, and during the period of training has to spend out of his own pocket. Naturally eligible persons first try their luck in other departments and only when they fail to secure another job they turn their attention to the Cooperative Department. In order to attract a better type of people it will be necessary to allow to the candidates under training a subsistence allowance which will cover, at least, the cost of living.

The salaries of the Inspectors and supervisors also need a revision. The duties of these officials are extremely arduous and important but their remuneration compares very unfavourably with the salaries of similar employees of other departments. They must be paid a living wage so that the work may not suffer.

The training itself needs improvement in some directions. So far as the practical training goes, there can be no better agency than the department itself. But for theoretical education in the principles of Cooperation there should either be a separate College of Cooperation or the services of University professors and lecturers in Cooperation should be freely utilised. The officers of the department do not have enough time to study a mass of cooperative literature which is ever increasing and hence cannot keep their knowledge of principles and cooperative development in other countries up to date. Fresh ideas can be best imparted by persons whose brains do not move in a narrow groove.

Auditors For carrying out audit of cooperative societies Auditors have been appointed in the department. They get their training at the Institute.

Staff In 1943-44 there were 89 Inspectors of cooperative societies in the U P. Some of them looked after cooperative societies in general and some were deputed for special types of cooperative activity. They were employed in the following manner:

General duty 49, Marketing of cereals 15, Potato Scheme 1, cotton Production and Sale 1, Hemp 1, Adult Education 1, Training of the Staff 2, Industrial Societies 1, Textile Societies 1, Women Societies 1, War Supplies 8, miscellaneous work 4, Publicity 1, Consolidation of Holdings 1, Provincial Cooperative Union 1, Dudhi Estate 1.

The number of supervisors in the Province during the same year was 598 distributed as follows :

Credit societies and organisation 257, marketing 208, Ghec 38, Milk and Dairy Societies 6, Consolidation of Holdings 12, Women Societies 6, Land Mortgage Societies 2, Poultry Societies 3, works among Harijans 6, Perso American Cotton Scheme 3, Dudhi Estate Development Scheme 1, on Deputation 56.

There were 81 auditors in all—sixty-one permanent and 20 temporary for dehydration work.

The average number of societies works out at 215 per Inspector, 31 per Supervisor and 237 per Auditor. This clearly shows that the Department is under staffed for inspection, supervision and audit. To audit 237 societies in a year is a physical impossibility. That is the reason why every year there is a number of societies that remains unaudited. Inspection of 215 societies by one Inspector makes frequent visits to the societies out of question. Naturally inspection cannot be effective. Supervision which is a continuous process cannot be undertaken by one supervisor for 31 societies. Lack of proper supervision, inspection and audit have been important factors responsible for the slow growth of the Movement. For a proper development of Cooperation the staff for these purposes has to be strengthened considerably.

Publicity : In a country like India where the major portion of population is steeped in ignorance and illiteracy propaganda is the only method to preach the principles of Cooperation. Till the beginning of the present decade the work of propaganda was left to the Inspectors and the supervisors. A publicity section has now been established in the Department. Press, platform and radio are being used for publicity work. Articles and pamphlets are published in English and the languages of the Province and talks on cooperative subjects are broadcast from the All India Radio station, Lucknow.

Another measure adopted for publicity is to organise cooperative conferences and meetings throughout the Province wherein

the aims and objects of the Movement are discussed and discussions on new experiments are also held. During the conferences exhibitions are organised wherever possible, in cooperation with other nation building departments like Agriculture, Industries and Public Health. In these exhibitions charts and posters depicting cooperative activities are displayed to popularise the Movement.

Cooperative Education The comparatively slow progress of the Movement in the U P is a direct result of faulty cooperative education. Cooperative education among the members and the office bearers of the societies is very low and even among the officers of the Department is not upto date.

Refresher classes for both the officers of the Department and the office bearers of the societies should be run separately at frequent intervals. The office bearers of the societies, the sarpanch and the panches, should be persuaded to attend the courses. While such courses for the officers of the Department can be held at a central place refresher courses for the office bearers of the societies should be held at convenient centres so that they may not have to travel long distances and incur expenses.

For purposes of education group conferences should be held frequently where the office bearers of Cooperative Societies and enthusiastic members may meet and discuss their achievements and difficulties.

Such conferences at present are too few.

CHAPTER XXX

FINANCIAL ASSISTANCE AND PUBLIC AID

Financial Assistance : The Government of the U. P. has followed the policy of undertaking no financial responsibility although where financial assistance is needed it has been given.

As regards the credit movement, the first few experimental societies before the Act of 1904 was passed were given a grant of Rs. 1,000 each. Later this practice was given up. No general financial aid is given now to credit societies, agricultural or non-agricultural, although in special cases occasionally small sums have been advanced.

To non-credit societies financial help from the Government has been more liberal specially in recent years.

How far financial assistance from the State has been available in the form of loans and deposits will be clear from the following table¹.

Loans and Deposits held from the Government, at the close of the year, in rupees, by

Year.	Agricultural Society	Non-Agricultural Credit Society	Agricultural Non-Credit Society	Non-Agricultural Non-Credit Society	Central Banks
	Rs.	Rs.	Rs.	Rs.	Rs.
1909-10	44,848	41,500	..	..	56,208
1919-20	524	800	..	900	1,774
1929-30	26	..	..	..	14,700
1930-31	200	..	..	..	13,000
1931-32	148	..	..	..	17,500
1932-33	44	975	..	..	16,000
1933-34	..	2,600	..	..	17,900
1934-35	..	2,600	..	..	17,400
1935-36	..	2,600	..	..	16,400
1936-37	100	..	26,150	2,761	15,400
1937-38	..	..	31,798	2,600	13,620
1938-39	..	..	24,192	4,600	14,620
1939-40	..	..	55,698	4,600	18,370
1940-41	1,958	..	24,915	8,600	18,270
1941-42	1,688	..	55,681	5,400	16,070
1942-43	1,452	6,882	23,203	19,100	7,400

¹Annual Reports of Cooperative Societies, United Provinces.

It is evident from the table that agricultural and non agricultural non credit societies have received considerable help from the Government. The development of Agricultural Non Credit Societies has been paid special attention since 1937-38.

Central Banks, too, have been receiving financial help to develop cooperative activity in their area of operation.

Besides sums which have been advanced as a loan to cooperative institutions grants have been placed at the disposal of the Registrar to be utilised for a particular cooperative activity.

The Government bears a portion of the cost of supervision. The Central or District banks have to pay 55% of the cost of such Supervisors as are normally their due. The rest has been met by Government grants. The cost of Supervisors employed on work other than credit is met by the Government in full. The total grant given by the Government in 1943-44 amounted to Rs 184,910¹. The grant has varied from year to year according to the work in hand.

The Provincial Cooperative Industrial Federation has also been helped financially to undertake war supplies. In 1943-44 a sum of Rs 145,918 was placed by the Government at the disposal of the Registrar for war supply work.

To the newly established Provincial Bank a grant of Rs 16,000/- was given in 1944-45. Rs 8,500/- out of this sum is a recurring grant.

By giving financial assistance in the shape of loans or grants the Government offers no guarantee to share holders or other creditors of cooperative institutions in respect of either interest or capital. The assistance is given because the Government is deeply interested in the Movement and wants to show, by investing its funds, that it has faith in Cooperation.

The policy followed by the State in the matter of direct financial assistance is theoretically sound.

Objections to State Financial aid A movement which aims at the development of self dependence and self reliance among those who come within its fold must spurn any financial assistance in the shape of grants. It smacks of charity.

Regular financial aid to societies creates an impression that the

¹This includes the contributions of the Government towards supervision of credit societies.

Movement is nothing more than a State-Department organised with an ulterior motive. In India, where the Government did not enjoy the confidence of the people, this impression was bound to prove disastrous and keep people away from the Movement.

State aid would also mean state control of cooperative finances. Public money cannot be employed unless the taxpayers can exercise control over how it is being used. But state control would retard the growth of cooperative spirit.

Thus, regular financial assistance is not in conformity with the aims and ideals of Cooperation.

The above arguments do not apply, however, to loans and deposits from the Government.

Criticism of the State Financial Policy: Although, theoretically, the policy of the Government cannot be questioned, from the practical point of view it has definitely been carried too far in as much as even loans and deposits have been limited. It cannot be denied that the Movement in the Province was a result of Government initiative and not of a spontaneous popular demand. Under the circumstances a too cautious policy in the matter of financial aid to the Movement has certainly retarded its growth. It would have been much better if practical advantages were not sacrificed to theoretical considerations and state assistance were given to a greater degree. Practical consideration even required more liberal grants to cooperative institutions. India is a poor country and unless grants are forth coming the Movement cannot become wide spread. Such assistance could be gradually reduced as the movement grew and attained its full stature.

Public aid: The success of a Peoples' movement depends to a large extent on public spirited and generous enthusiasm of not only the workers in the movement but of the public as well. Whatever the State may do, Cooperation cannot be successful if the people take no interest and do not join cooperative societies.

When Cooperation was first started it evoked a good deal of sympathy and interest among the people but the enthusiasm has not been maintained throughout its development in the U. P. The rural population in the Province is illiterate and ignorant and, therefore, highly conservative in ideas. Enthusiasm for Cooperation can not be expected till the leaders of public opinion in the rural areas understand Cooperation, have faith in it, approve of it and carry on a propaganda for it. Unfortunately these people

instead of helping Cooperation have actually opposed it. The landlords, mahajans and the Patwaris are the most influential people in the rural areas. The rural population looks up to them for advice, guidance and leadership. For various reasons, however they have deliberately failed to give the right advice to the people. The landlords have felt that if Cooperation is developed their hold over the masses will decrease. Mahajans who practice money lending, consider cooperative societies as serious competitors to their business. Patwaris who thrive on the ignorance of the people and differences among them are afraid that if people are united and work on cooperative lines their chief source of income (exploitation of the rural people) will disappear. They have all combined to see that Cooperation does not succeed. Attitude of the Public in general has been apathetic so far as the rural areas are concerned.

There have been a few enthusiasts among the zamindars and to such persons references have been made by the Registrars in their Annual Reports. But such instances are still rare.

Most of the educated people in the Province are residents of the towns. They are the people who can follow cooperative principles and practices and, if enthusiasm among them could be aroused, are capable of doing a great deal for the Movement. But they are busy people and have little time to devote to cooperative development. At the same time they have little sympathy for and touch with the rural population. Cooperation, thus, has found little support from this class of people also.

In general it can be said that the attitude of the public has been one of indifference to the Movement. It is not surprising, therefore, that the Movement has made little headway in the U P.

The burden of spreading Cooperation has fallen on the shoulders of the Inspector and Supervisors of the Department with very scanty support from public men either in the rural or the urban areas.

How far public support can be helpful in the development of this Movement so full of promise can be gauged from the comparatively rapid development of cooperative activity during the period Congress was in power in the Province. One of the important planks in the Congress programme has always been rural uplift in all directions and they have carried on a continuous propaganda for Cooperation in the rural areas. Cooperation in recent years has been able to enlist the cooperation of non-officials

and that was the main reason why as compared to other periods there has been a greater expansion of the Movement.

Though the situation with respect to public support has improved the stage has not yet been reached where honorary organisers and workers are available for the development of the Movement. Cooperation is not yet really a Peoples' movement in the Province. Not till there is a much greater public support will it be possible for the Government to entrust the Movement to non-official hands.

From the cooperative point of view public apathy is deplorable and all efforts must be made to make people cooperation-minded.

Much in this direction can be achieved through lecture tours, the press and dissemination of elementary knowledge of the principles and practices of cooperation. Congress workers in the rural areas should carry on a more intensive propaganda for Cooperation. They are in touch with the people and can bring home to the minds of the masses the large benefits that will accrue to them from cooperative activities. Other cooperative enthusiasts, whether in or out of the Department, also should spare no efforts to preach the gospel of Cooperation. If a ceaseless propaganda continues enthusiasm for the Movement can easily be aroused among the people.

For the educated classes the medium of the Press will be the most suitable for cooperative propaganda. It must be said to the credit of the Press in the U. P. that it has always been sympathetic to the Movement. But a more intensive propaganda is necessary.

Another method by which a stronger public opinion in favour of Cooperation can be created is to spread knowledge of cooperative principles and practices among the rising generation and thus make them cooperation-minded. Cooperation should be included as a subject of study in the Vernacular High Schools of the Province. In simple and clear language the basic principles of Cooperative organisation in the U. P. should be given to them. As future citizens they will be better enthusiasts for Cooperation than we have been and the future of Cooperation will be assured.

CHAPTER XXXI

ACHIEVEMENTS AND DIFFICULTIES OF COOPERATION IN THE UNITED PROVINCES

Achievements Great hopes were entertained of the Movement when it was first started in the U P. Let us now examine how far the expectations have come true.

Among the cooperative activities the most successful and widely spread has been rural credit cooperation. But even this part of the Movement as has been pointed out in the chapter on 'Agricultural Credit Societies' has only touched the fringe of the problem and affected a microscopic minority of the rural population. Although the general results of the Movement have not been remarkable it cannot be denied that where cooperative societies have been working they have affected not only the life of the members but of the people of the locality in general. The influence of cooperative activity has always been wholesome.

The achievements of Cooperation may be summarized under four heads (a) Economic, (b) Social and Moral, (c) Educational and (d) Political.

Economic The economic achievements of Cooperation have been far reaching.

(i) It has led to the utilisation of a large amount of wealth for the betterment of members. Before the Movement was started in the U P savings were converted either into ornaments or hoarded in the bowels of 'Mother Earth'. Extravagance in expenditure was rampant and even on the smallest pretext a large amount of good money was wasted. Only a small portion of saved wealth in the hands of the far sighted *banias* and *mahajars* was available as capital. But Cooperation has changed the situation. By propagating the idea of 'Self Help through Mutual Help' it has encouraged investment of small savings and made economic improvement of the members possible.

In 1942-43 the total amount involved in the movement amounted to Rs 364.79 lakhs. A major portion of this amount would not have been available for economic development but for Cooperation.

(ii) A part of the wealth which was used as capital by the *banias* and the *mahajans* was available to the people only at a very high rate of interest. The usual rate people had to pay was $37\frac{1}{2}\%$. Once a debt was incurred there was no hope of its redemption and the indebtedness increased. Under the circumstances there was a steady deterioration in the economic condition of the borrowers. The usual rate cooperative institutions charged in 1943-44 was, however, not more than 15%. Thus a considerable saving in interest has been affected as a result of cooperative development. In agricultural credit societies alone the savings in this respect amounted to Rs. 11 lakhs. If the total loans taken from all types of cooperative societies are considered the savings will come to a much larger amount. By the amount of such savings the economic strength of the members of societies has undoubtedly increased. The benefits of Cooperation, so far as reduction of the rate of interest goes, have not been confined to the members of cooperative societies only. Cooperative societies are competitors of the *banias* and the *mahajans* and to retain their custom these people have been forced to reduce their rates. Cooperative societies, where they have been operating, have, thus, been instrumental in lowering the rates of interest charged by the money lenders to the benefit of the people in general.

(iii) Cooperation in the U. P. has not only tried to provide cheap credit to its adherents it has undertaken facilities for cheap purchases of their requirements and sale of their products for better prices. Agricultural requisites are now available at wholesale rates and the quality of goods is also assured. The consumers' stores in 1943-44 sold goods worth Rs. 27.65 lakhs making a profit of .47 lakh a part of which was refunded to the members according to the value of purchases made by them.

Marketing of many a produce has also been organised on a cooperative basis. In the marketing of ghee the producers get an advantage of at least Rs. 15 per md. if they are members of a Cooperative Ghee Society. 2545 mds. of ghee were sold in 1943-44 through the Ghee Unions. Thus the producers got Rs. 38,175 more than what they would have obtained by selling the produce direct. Similarly in the marketing of other produce like cereals, cotton and sugarcane there is a considerable advantage to the members of sale societies. They can now wait for a better price as they can get an advance against their marketable produce and are not forced to sell in a glutted market.

Thus on the one hand their savings have been increased

because the prices paid for the purchases have been reduced and on the other hand they have been getting a better price for their marketable surplus. The result has been a considerable improvement in their economic condition.

The same advantages have accrued to the members of industrial societies as well.

(iv) In so far as Cooperation has tried to improve production qualitatively and quantitatively it has tried to put more money indirectly into the pockets of the producers and to a limited extent it has achieved something in this direction.

(v) The attempt of Cooperation has always been to curtail unnecessary expenses as far as possible. Litigation is discouraged and all unproductive expenditure is sought to be reduced. Although in this respect not much could be achieved due to the conservatism of the people some thing has been done which considering the circumstances should not be regarded as mean. As a result of the activities of Better Living Societies it is estimated that in 1933 a saving of Rs 1 lakh was effected over ceremonies mostly marriages. Although it cannot be known exactly to what extent avoidable expenditure has been reduced it is beyond doubt that some money has been saved.

Social and Moral The social and moral achievements of Cooperation in the Province have been equally important. It has taught to those who have come under its influence the lesson of unity. Among the members of the societies corporate feeling is strong and a brotherhood of Cooperation is gradually being evolved.

As compared to people outside the Movement the outlook of the members of the societies is certainly broader. In societies members have to depend on one another. Naturally their attitude of mind is less selfish.

Character again is the chief asset of members of cooperative institutions. Persons with a doubtful character are excluded from membership and loans are generally advanced on personal integrity and diligence. Those who wish to join a cooperative society must so reform their character as to be acceptable to the members of the society. This insistence on character has been responsible for reforming the character of many an individual.

Cooperation teaches the value of punctuality and prompt payment and thus exercises a very healthy influence on the members of societies. It makes a man business like in his dealings.

Social reforms have also taken place among the members of societies and through them in the localities. Better Living Societies have tried to curtail expenditure on social functions like marriages, births and deaths. Caste dinners which were a normal occurrence on any of these occasions have been restricted and societies have, in some cases, fixed the expenditure a member can incur on marriages etc. Investment in ornaments is also discouraged by the societies. Since the members are not permitted to take part in any social function where the rules of the society are not observed others who are connected with them gradually begin to follow the rules of the society, and social reforms set in in the locality.

Better Living Societies, in addition, directly improve the living conditions of their members. They have provided first aid facilities, disinfected wells, constructed parapets on the wells to ensure a healthy water supply, arranged for training of the *dais*, and persuaded their members to have manure pits outside the village. Thus an attempt has been made to improve sanitation, health and general living conditions in the rural areas. In 1942-43 there were 839 village aid schemes, 1930 first aiders were trained, 5333 villages had manure pits outside the village, 1626 *dais* were given training, 2564 dispensaries were maintained, 13270 wells were disinfected and parapets were constructed on 2196 wells. The dwellers of the towns also have received some attention. Housing societies have been working in the towns to enable the people to have good accommodation of their own.

Educational : So far as education goes, members of co-operative societies have a definite advantage over their fellow citizens. Every co-operative society sets apart a certain portion of its profits for educational purposes. This money is generally utilised for providing educational facilities to the members and their children. Primary schools are opened or subsidised.

Besides general education and co-operative education is imparted to the members in all co-operative societies through lectures and propaganda.

A member of a co-operative society is generally better informed on economic conditions, prices and other connected matters than one outside the Movement.

Political : The political results of Cooperation are no less important. Members of co-operative societies being less selfish

and more considerate and having a better character are far better citizens than other people in general

Cooperative societies being democratic institutions serve as a training ground for their members in self government. The value of such a training can not be belittled at the present stage of political development in the country. Now that India is on the threshold of Self Government such a training will prove of immense advantage for in the new scheme of things to come the political unit is bound to be the village community once again and the village population in those areas where Cooperation is working will be found ready to shoulder new responsibilities which the change in the constitution is likely to impose on it.

Defects and Difficulties of the Movements Inspite of substantial advantages cooperation has given to the people coming under its influence the growth of the Movement has been stunted in the Province. The slow growth has been partly due to defects in the Movement itself and partly to a number of difficulties it has to face.

(a) The greatest single factor which has retarded the growth of cooperative activity is the lack of education among the people. The percentage of literacy in the Province is very low and the percentage of people who are educated even upto the 4th Vernacular standard lower still. Lack of education has affected the Movement in many directions. Where cooperative societies are started members with enough education to look after the books and the accounts are not forthcoming and the work has to be left in the hands of people who are not equally interested in the Movement.

Lack of education again is responsible for the ignorance of the principles of Cooperation. Many types of cooperative activity though beneficial have failed to arouse enthusiasm among the people because the principles underlying them are not properly appreciated. The general impression as regards a consumers' store is that goods will be available at below the market price. Similarly by even those who have been members of the society a credit society is regarded as an agency for providing cheap credit and nothing more. The principles of cooperative cattle insurance cooperative purchase or sale also are not properly understood.

(b) The power in cooperative societies is concentrated in the hands of a few individuals who are comparatively better

educated. This gives rise to favouritism, undue extensions and over-dues and reduces the benefits to the other members of the society.

(c) Over-dues again have been unduly heavy in the Province. In 1943-44 the percentage of over dues to outstandings in Agricultural Credit Societies was 25.05%. Although there has been a downward tendency since 1934 and the percentage has dropped considerably since 1942 due to war prosperity even the present percentage is not quite satisfactory. That overdues were a serious check to cooperative growth is clear from the fact that right up to 1937 more than 50% of the outstandings constituted over dues. The same tendency is noticeable in the Central and District Banks and Banking Unions of Province. If the over-dues are heavy loans from societies decrease and benefits to the members are proportionately reduced. Another result of the large overdues has been that the societies themselves cannot honour their undertakings and the confidence of the people in cooperative institutions is shaken.

(d) Supervision of the Movement has been another weak point. Central Banks have paid more attention to the expansion of their own business and supervision of cooperative activity in their area of operation has been generally neglected. In a province where people are generally incapable of managing their own affairs the success of the Movement depends on continuous guidance from competent people. Supervision is also necessary to check that the money is utilised for the purposes it has been borrowed. The number of supervisors employed by the Central Banks and Unions has been inadequate for effective supervision. The work of societies has suffered on this account and the development has not been rapid.

(e) The achievements of Cooperation have been limited also because of a neglect of non-credit activities on the part of the Cooperative Department. Cooperative credit has expanded but little attention has been paid to the trades of the people or to the question of supplies. Credit alone cannot eliminate indebtedness. Till the necessity for borrowing is removed indebtedness must continue. While cheap credit has been made available by cooperative societies, for trade purposes members of the societies have been dependent on the Banias and the mahajans. In matters of supplies of domestic requirements and trade requisites they labour under the same handicap. The results of Cooperation, thus, have not been spectacular enough to create enthusiasm for it.

While the number of credit institutions in 1943-44 was 1042, non credit societies numbered only 8774. If we exclude the Better Living Societies other societies dealing with improvement in production, marketing and purchase are still comparatively small in number.

(f) Even in the field of credit the advantages of Cooperation have not been so great as they should have been. It is due to the fact that the finances are neither adequate nor prompt. All the needs of the members cannot be met by cooperative societies and they have to borrow for some of their requirements from the money lenders. Cooperative societies again do not advance loans as promptly as other money lenders. Searching enquiries are made by the society, no sureties have to be provided by the borrowing member and then the application has to be considered. This means delay in obtaining a loan. The money lender on the other hand asks no inconvenient questions and advances loans immediately. Thus the people prefer to borrow from the money lenders.

(g) In the Province the Movement has suffered from the absence of long term credit facilities and the Provincial Bank. In the absence of land mortgage banks the ordinary credit societies had to undertake to some extent long term credit business as well. For this type of work credit societies are unsuitable and they have neither been able to meet the long term nor short term requirements satisfactorily. It has led to another practice which is detrimental to the Movement. The purposes of loans are not declared correctly. The total amount advanced for ceremonial expenses is too little in cooperative societies and it can be safely inferred that money needed for such purposes has been obtained in some other name.

(h) Till recently there was no Provincial institution to coordinate the working of central cooperative institutions. The finances of the Central Banks could therefore not be balanced. The system of interlending through the Registrar was both uneconomical and undesirable. Thus the available cooperative finances could not be utilised to the best advantage of cooperative development. A part of the blame for slow development of Cooperation lies at the door of the Government also. The Cooperative Department is concerned with a nation building activity and requires expanding revenues to meet increasing expenditure. The Government have

always given a step motherly treatment to it and their expenditure on the Department has not been commensurate with its importance.

(i) The Province has been singularly unfortunate in its Registrars. The Registrar is the guiding spirit of the Movement and much of the success depends on the enthusiasm, drive, personality and the ability of the Registrar. Wherever the Movement has achieved success it has been due to the interest taken by Registrar. Take for example the Punjab. Among the Registrars of that Province appear names like Calvert, Darling and Strickland who are well known as enthusiastic cooperators. In the list of the Registrars in the U. P. we do not find a single name of that calibre. It is no wonder that Cooperation in the Province has not attained that stature.

(j) Active public sympathy with the Movement does not exist in the U. P. People of the Province are indifferent to the Movement and honorary organisers have not come forward to help cooperative development. Those who might have been helpful have taken an antagonistic attitude towards it. The leaders of village opinion—the landlords, mahajans and the patwaris—have been actively opposed to Cooperation. The landlords are against the Movement because it loosens their control over the tenants. The mahajans are opposed to it as they consider cooperative societies their rivals in business and the patwaris look upon it with disfavour because they are afraid of losing their sources of outside income. In the towns the educated classes which could have given a lead are too busy to devote any time to cooperative development. In the absence of active public support a people's movement can not thrive and that has been the fate of the Movement in the U. P. as well.

(k) There has been a complete absence of planned development of Cooperation. The development of different cooperative activities has been left to the initiative of the local Supervisors and Inspectors of Cooperative Societies. If a Supervisor or Inspector is a cooperative enthusiast he tries to develop Cooperation in his area but no sooner is he transferred to another area the enthusiasm wanes and the societies come to grief. Never has the development of Cooperation followed a well considered plan based on the suitability of an area for different types of cooperative activity. Cooperative development in the Province has been a matter of accident rather than a result of a cooperative policy. Thus we find, for example, Khoya Societies concentrated

in only two districts of the Province while such societies can be equally successful over a larger portion of the U. P.

With little public support, opposition from powerful and influential sections of the community, inadequate help from the Government, imperfect appreciation of the principles of Coöperation, colossal illiteracy and ignorance of the population in general, and many defects in the Movement itself it is not surprising that the growth of the Movement has been slow. On the other hand, it is surprising, indeed that under the circumstances any development, at all, has been possible.

COOPERATIVE RECONSTRUCTION IN THE
UNITED PROVINCES

(1) **Educational Reorganisation:** A movement which is organised on a moral plane pre-supposes a stage of mental development where the ideas will be quickly grasped and appreciated. For Cooperative Reconstruction, therefore, Educational reorganisation becomes a prime necessity. Masses have to be educated so that illiteracy, ignorance and conservatism which are the prominent features of the mental make-up of the population of the Province in general may be dispelled.

Cooperative ideas have not been absolutely unknown to the people as not in the distant past. Society in the rural areas was organised on similar principles. In the village communities, the village panchayat, the caste biradari and the trade guilds rudiments of Cooperation were present. And although these institutions have decayed since the establishment of British rule and centralised control the principles on which they were run have not been totally forgotten. As such, for understanding Cooperation and running cooperative societies high education is not necessary. A fair knowledge of the three Rs is all that is needed, and that too so that the books and the accounts of the societies may be properly maintained.

Educational reorganisation for a better cooperative development must include a mass literacy campaign, teaching of Cooperation in simple language in the primary classes of vernacular schools, and training of teachers of these schools in the principles and practices of Cooperation.

(a) **Mass literacy campaign:** A mass literacy campaign should be launched immediately by the Government and free compulsory education should be undertaken both in the rural and urban areas of the Province. The standard of literacy, as has been pointed out elsewhere, should not be mere ability to read and write one's name but education upto the primary stage. Many of the impediment to Cooperation will disappear once literacy according to our definition becomes general.

(b) Reorganisation of courses in Primary Schools But Cooperation cannot wait till literacy has been achieved. Cooperative education must also proceed side by side with general education. So far as the future citizens go the requirement in this respect can be met by reorganising the courses of study in such a way as to give it a rural bias. A short course in the simple language of the locality on the broad principles and advantages of Cooperation should form an integral part of the courses in the primary classes of vernacular schools.

(c) Reorganisation of courses in Normal Training Schools This will necessitate a reorganisation of the courses of study in the Normal Training Schools of the Province. If cooperative principles are to be taught in the primary schools those who are responsible for teaching should be themselves fully conversant with cooperative principles and practices. Cooperation thus should be a compulsory subject to which the greatest attention must be paid in such schools.

(2) Cooperative Education of the Adults But what of those who are too grown up to be educated in the primary schools? For the healthy growth of Cooperation the present members of cooperative institutions can not be neglected. The standard of cooperative education among them has to be raised before better results can be expected. The principles of Cooperation are so simple and its advantages so obvious that members of cooperative societies illiterate as they are, can easily grasp and practice them. What is needed is a vigorous propaganda and right guidance.

Increase the number of Inspectors and Supervisors At present the task of educating the members of the societies in Cooperation lies on the shoulders of the Inspectors of Cooperative Societies and the Supervisors. The number of societies in the charge of an Inspector or a Supervisor is too large to be effectively managed by them. Cooperative education, in the absence of even literacy, is a very slow process and requires a close attention from the persons responsible for it. The number of Inspectors and Supervisors has to be increased very considerably if a sound expansion of the Movement is desired.

U P College of Cooperation The training of these officials also needs a complete overhauling. The present system of training Inspectors and Supervisors at the Cooperative Institute

through Senior Inspectors of the Department is hardly satisfactory. A College of Cooperation should be started in the Province where besides specialists in the subjects on the permanent staff the services of the University Professors and Lecturers in Cooperation should be utilised for theoretical training. While it must be admitted that Inspectors are the most suitable for conducting practical training, it is more than doubtful whether they are the best agency for imparting theoretical education. Teachers in theory must have a broad outlook and a good knowledge of cooperative development all the world over. They must go through new literature on the subject and continually study the developments in cooperative thought. Saddled as the Inspectors are with field work, they have hardly any time to keep their knowledge of Cooperation up-to-date. It is only those whose main job is teaching who can do the work satisfactorily. They alone are capable of independent thinking and imparting fresh ideas.

The practical training of the Inspectors has to be arranged with the Department and can be entrusted to selected Inspectors.

Since on the training of the Inspectors and Supervisors depends the cooperative training of the members of cooperative societies a College of Cooperation for the Province has to be one of the important items in any plan of cooperative reconstruction.

The College of Cooperation should perform three important functions. Firstly, it should organise theoretical and practical training of those who will be future Inspectors and Supervisors of cooperative societies. Secondly, it should conduct researches in Cooperation and suggest new activities which can be profitably introduced by the Department. And lastly, the College should organise short courses for the Gazetted Officers of the Department and refresher classes for the Inspectors and Supervisors. Although the College may help the Inspectors and Supervisors in running short courses for the members of the Committees of Management of the cooperative societies it should primarily be their duty to do so.

(3) Planned Development : General and cooperative education may create a better public support for the Movement and even lead to a more satisfactory working of the societies. But the maximum results from cooperative activities will not be possible till such activities are based on a well considered policy. Planning is the order of the day everywhere. It maximises results without an unnecessary waste of efforts and energies. The poor

growth of Cooperation in the U P is mainly due to the fact that the development of cooperative activities has been hap-hazard. It has been pointed out in the previous chapter that no attempts have been made by the Department to ascertain which areas are suitable for what types of cooperative development and that new types of societies have been the out-come of the efforts of a few enthusiastic Inspectors and Supervisors who have been bold enough to translate their ideas into practice. Where these officials have been easy going or shy of trying new experiments no developments have taken place although the conditions have been equally favourable. Absence of a plan has thus left too much discretion to the field officers and the development of Cooperation in the various localities has depended on the degree of their enthusiasm for the Movement. If a cooperative reconstruction is to take place now this policy of drift has to be abandoned and replaced by a policy of careful planning. The plan in order to be a realistic one must be based on a thorough study of the actual situation considered from all points of view.

(a) Survey of the Province The first thing which is necessary, therefore for planning reconstruction of the Movement is a survey of the whole of the Province in order to find out where different types of societies can be usefully organised. In this survey special attention has to be paid to the state of cooperative education among the people their enthusiasm for the Movement the essential conditions for the success of various cooperative activities and how far the cooperative activities have been successful in particular areas.

(b) Plan After a careful survey, when data are available a plan for the future development of Cooperation must be drawn up. Instead of a central plan for the whole of the Province plans for different zones or areas will have to be made to suit local conditions and developments. In the plans different cooperative activities should be put down in order of priority so that if the entire plan cannot be worked out for financial or other reasons those items which are the most necessary may be taken up first and thus the maximum benefit may be conferred on the people.

(c) Its Execution Once the plans have been carefully drawn up the Registrar of the Cooperative Societies should ensure that they are executed to the minutest details by the Inspectors and Supervisors. Although the field officers have to be given some

discretion to vary the unimportant details to suit local requirements no major changes should be made by them without referring the matter to the Registrar or the Planning Committee appointed by him.

(4) **Cooperative Act for the Province:** For a better development of Cooperation a separate Cooperative Act for the U. P. is urgently required. The old Cooperative Societies Act of 1912 with minor amendments in subsequent years still governs cooperative activity in the Province. But it has outlived its usefulness and time has come when it should be replaced by a new piece of legislation. The Act of 1912 was meant to be an all India legislation and hence could not take into consideration local conditions in the different provinces. Even at that time the legislators were not blind to the necessity of further provisions according to local circumstance. Under the rule making powers given to the local Governments this contingency was provided for.

• Since the Act was passed great changes have taken place. The constitution of the Provinces has been revised and Cooperation which in 1912 was a central subject has now become a provincial subject under the control of a popular minister. Cooperative activity itself has made long strides as compared to 1912. Provisions of the Act which were adequate or even progressive are no longer suitable for the present stage of development. Under the rule making powers numerous rules have been made by the Government from time to time and still those legislative facilities which are essential for the expansion of Cooperation cannot be provided. For cooperative reconstruction the rules have to be consolidated and legislative assistance extended further. This can be done only by passing a separate Act for the U. P.

In what directions amendment and extensions of the provisions are required has already been discussed in the chapter¹ on Legislative assistance. On the lines indicated in the chapter a new U. P. Cooperative Societies Act should be passed immediately.

(5) **Consolidation and Expansion side by side:** Whatever the plan of development, consolidation and expansion of the Movement must proceed simultaneously. A policy of consolidation without expansion while creating a better confidence of the people in the Movement will lead to stagnation. On the other

¹ Chapter XXVIII, page 299.

band, a policy of expansion without consolidation will bring into existence a large number of cooperative institutions which will be indifferent. None of them is capable of bringing about the desired results. While it is necessary that the ground gained by Cooperation so far should be consolidated, it is equally necessary to expand cooperative activity when conditions are favourable. Consolidation will place Cooperation on a surer footing and expansion will extend the benefits to the people who are willing and fit to receive them.

Consolidation will automatically necessitate scrapping up of such cooperative institutions as are unfit to exist. In dissolving such societies the Department should have no compunction. It must always be remembered that to permit them to exist will prove suicidal to the Movement which is the special responsibility of the Department. All attempts should, of course, be made to improve the affairs of such societies, for there is nothing more unjust than to give no chances to them to set the matters right. But if the directions of the Department are consistently ignored and the societies continue to be mismanaged action must be swift and drastic. Dissolution of a few societies is not so harmful to the Movement as a policy of drift and inaction. The latter not only shakes the confidence of the people outside the Movement it leads to a loss of faith on the part of the members as well, and ultimately proves to be a serious set back to the Movement.

Expansion of the Movement also has to be undertaken with extreme caution and care. What line of development has to be taken up in a particular locality will depend upon the results of a survey which has been recommended in the beginning of the present chapter. But there are two points to note so far as further extension of any cooperative activity is concerned. No expansion should be undertaken unless there is a genuine demand for it from the people. A people's movement depends for its success on popular support. If this is absent it is bound to fail. Therefore, unless the people themselves want a particular type of cooperative society the Department should not force it on them merely to expand the Movement.

A good policy to follow would be to organise cooperative better living societies in new areas before any other cooperative activity is introduced. Better living societies will educate the people in the principles and practices of Cooperation. At the same time the members will not be required to undertake much financial obligation. When these societies have run successfully

for some time and the members have imbibed the spirit of Cooperation, will be the time for introducing other cooperative activities with reasonable chances of success. At this stage the demand for the extension of other cooperative institutions will be spontaneous. If the demand is not spontaneous it will be a clear proof that the people are not fit, yet, to take part in the Movement and it will be to the advantage of all concerned that they are kept out of it. Never-the-less a ceaseless propaganda should be carried on by officials and non-officials who have sympathy with and faith in the Movement so that the ignorant may be enlightened and made able to further their interest through cooperative effort.

(6) **Emphasis on Non-credit Cooperation :** Cooperative development in the future must also give lie to the criticism that credit cooperation has received undue attention on all hands. In an agricultural province like the U. P. it is inevitable that credit cooperation will always predominate. But credit alone cannot cure all the ills agriculturists suffer from. Their trade is in the hands of moneylenders and the *Banias* exploit them and secure their produce at a price much below the market price. In purchases made by them they, always, have to pay a higher price and are never sure of the quality of goods. Thus their margin of savings is unnecessarily reduced. What is true of the agriculturists is also true of the poorer sections of the urban classes. Cooperation has no doubt provided credit facilities and to some extent benefitted the population, its application in other fields has been very sparing.

Organised marketing and purchase even in the present stage of development is negligible. Although a beginning in this direction has already been made, the problems require a much greater attention at the hands of those interested in a cooperative reconstruction in the U. P. More attention should also be paid to improvement of production, agricultural and non-agricultural, and to a betterment of the conditions of living. To improve the economic and social conditions of the people the problem has to be attacked from all sides. An all round development of cooperative activity is thus the need of the day and must forthwith be undertaken. A greater emphasis on non-credit cooperation, above all, can do it. Expansion of the Movement will occur only when the advantages from Cooperation are more tangible than at present.

(7) **Development of Land Mortgage Credit :** Credit facilities provided by the Movement are only for short terms. Very little

efforts has been made so far, to offer long term credit to the people. The consequences are inevitable. Land improvements cannot be undertaken and past indebtedness continues to be heavy. Absence of long term credit facilities keeps an influential section of the population away from the Movement. In order therefore to extend the benefits of Cooperation to all classes of the population and to expand the Movement any programme of cooperative reconstruction has to include development of land mortgage credit.

A large number of Land Mortgage Societies should be organised all over the Province. Long term finances can now be provided since a Provincial Cooperative Bank has been established. As has already been suggested in the chapter on Provincial Cooperative Bank, a separate department should be started in the Bank to meet the requirements of the Land Mortgage Societies and its accounts should be separately maintained. Debentures issued by this department should carry a Government guarantee in respect of interest. Besides this it will also be necessary to give transferable rights to the tenants to suspend the operation of the Transfer of Property Act, Insolvency Act, Trustees' Mortgages powers Act and Land Improvements Act against transfers made in favour of Land Mortgage Societies and to declare improvement of agricultural land, purchase of land and improvement of methods of cultivation purposes binding on the members of a joint Hindu family. This can be achieved either by passing a separate Land Mortgage Act or by inserting fresh provisions in the new U P Cooperative Societies Act. The latter course is more desirable. The provisions which are considered necessary for the development of land mortgage credit are given under New Provisions (g) in the chapter on 'Cooperative Legislation'.

(8) Reorganisation of the Department. Since Cooperation in the U P for a long time to come, will not be in a position to be run by the people themselves the Cooperative Department will have to be responsible for the development of the Movement. The policy of the Department and the Department itself need a complete organisation before cooperative reconstruction can be achieved.

(a) Registrar. As has already been pointed out the method of appointing the Registrar has to be completely changed. The man who is appointed to this post must have a dominating personality and should be a highly gifted person with known sympathy

and zeal for the Movement. He should also be conversant with the working of the Department and have a thorough knowledge of cooperative principles and practices. The policy of recruiting the Registrar from the Indian Civil Service has, therefore, to be given up. The selection should be merely on the qualifications for the post no matter whether the candidate belongs to the Indian Civil Service, provincial services or is a rank outsider. If the person selected is not already in the Department, before he is given the charge of the Movement he should be made to undergo a course at the Cooperative College and practical training in every branch of work he is expected to guide as Registrar. What applies to the Registrar applies with equal force to his deputies and assistants. So far as possible these officers should belong to the Province and preferably comes from the rural families.

(b) Inspectors and Supervisors : The method of recruitment, training and salaries of the Inspectors and Supervisors also need a revision. It has been mentioned elsewhere that under the present conditions the success or the failure of the Movement depends on the quality and enthusiasm of these officers. The quality of the officials is determined by the type of persons joining these posts and their subsequent training. If first class men could be attracted to the Department and the right type of training were imparted to them, the Department would have really first class officials to execute its programme of expansion. The most suitable qualifications and the improvements required in the training of these men have been suggested in the chapter on 'the Cooperative Department'.

How-so-ever able the officials may be the results for the Movement will not be great unless they are enthusiastic about it and fairly active.

Question of their Salary : There is a well known saying. 'Money makes the mare go'. The problems of attracting the right type of persons and their enthusiasm for the Movement are questions of their remuneration. The salaries offered by the Department and the U. P. Cooperative Union to their Inspectors and Supervisors, respectively, are so low that only those who fail to obtain a service elsewhere offer themselves for these posts. Under the circumstances it is not possible for the Department to get first class men. And second raters are not capable of first class results. The question of enthusiasm also is a question of money. Inconveniences inherent in field work are bound to

damp enthusiasm if the work is not sufficiently remunerative. Thus from both points of view revision of the grades is an urgent necessity for the development of cooperative activity.

Their cadre : Apart from an increase in grades the number of Inspectors, Supervisors and Auditors has also to be increased considerably for better education, better supervision and better expansion of Cooperation. A super audit may be instituted to ensure that the auditors do their job conscientiously.

(c) Planning Section and Committee : The Department should have a separate planning section presided over by the Registrar himself. A Planning Committee should be constituted consisting of the Registrar, the Deputy and Assistant Registrars, senior teachers of the U. P. Cooperative College, a few teachers of Cooperation in the Universities and Colleges, 2 representatives of the U. P. Cooperative Union, one representative each of the Provincial Marketing Federation, the Industrial Federation and the Provincial Bank, 2 representatives of the Central Banks and a few members coopted for special purposes. The Committee should be an advisory body and should review periodically the progress made in the execution of the plan and recommend any changes considered necessary. Of course before the plan is finally approved by the Registrar and put into operation this committee will discuss it thoroughly.

(d) Statistics Section : The Statistics section of the Department needs to be strengthened. The form in which statistics are available does not present a real picture of cooperative development in the Province. Figures for the different types of societies are not available separately. It is impossible, therefore, to know what progress has been achieved in any particular direction. Maintenance of a detailed record will need a sufficient, well trained staff. The expansion of the section is all the more necessary because for planned development a mass of figures will have to be collected, tabulated and interpreted.

(e) Publicity Section : The Department has a publicity section which carries on propaganda and tries to popularise the Movement. Cooperative conferences are arranged, leaflets are issued and talks are given on the radio. Although the section has been doing commendable work, in order to be effective its activities must be multiplied many times. Since most of the

people of the Province are unable to read, the most useful work that can be done is to organise lectures in simple vernacular all over the Province. The staff of the section should be on tour most of the time preaching the gospel of Cooperation, explaining to the simple folk the advantages of different types of cooperative activity and the defects of the existing situation. For the work of this magnitude the present staff of the section is hopelessly inadequate. If the message of Cooperation is to reach every nook and corner of the U. P. the staff has to be enlarged considerably.

(9) District officers should take more interest in the Movement. Expansion of the Movement, again, will need the help of influential persons, officials and non-officials. The district officers, unfortunately, have not felt it their duty to encourage Cooperation and support it. They have been mostly indifferent to the Movement. The Government must emphasise the necessity and desirability of an active support to the Movement on their part. They should be instructed to extend a helping hand to cooperative activities wherever possible.

(10) More Government Expenditure on Cooperation : Re-organisation of the Cooperative Department, expansion of the Movement, closer supervision of cooperative activities and guarantees for debentures require a greatly increased provision for Cooperation in the Provincial budget. Considering the importance and the scope of the Department, far too little has been spent by the Government over it. This has been one of the important reasons why the growth of Cooperation has been stunted in the past. If extension of Cooperation so far as to reach the remotest part of the Province is the target, sufficient funds must be provided by the Government. Only when adequate funds are available can the Movement be speeded up.

(11) De-officialise gradually : The Government should also remember that the Cooperative Movement is a trust that must be handed over to the people as soon as they are fit to receive it. Official interference and control should be kept at the minimum consistent with the sound working of the Movement. An attempt should, therefore, be made by the Department to associate non-officials with the administration of the Department and working of the societies. It will be a good policy to appoint suitable persons as Honorary Assistant Registrars, Inspectors and organisers and give them an opportunity to take part in the administration

of the Department. It is also time that official control over cooperative activities should be relaxed. In some institutions deofficialisation is urgently called for not only in the interest of the maintenance of their cooperative character but for the very existence of these useful institutions. Provincial Marketing Federation and the Industrial Federation are cases in point. Both must reduce their expenses of management in order to be successful. Expenses can only be reduced by deofficialising them. The process of deofficialisation should, however, be a gradual one so that the Movement may not receive a serious set back.

Cooperative reconstruction in the U. P., thus, requires a bold policy and setting the house in order. The rejuvenation of the Movement calls for drastic action and in the interest of the people of the Province there should be no hesitation in adopting such measures. The benefits of Cooperation are immeasurable and it would be criminal to let the Movement languish. If Cooperation fails the last hope for the down-trodden masses would disappear.

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